

SOI BULLETIN



Department of the Treasury
Internal Revenue Service

Volume 7, Number 3

Winter 1987–1988

Contents of This Issue

Page

- 1 Statistics of Income: 75 Years of Service**
- 21 SOI Studies of Individual Income Tax Returns**
- 39 Individual Income Tax Returns, Preliminary Data, 1986**
- 53 Individual Income Tax Rates, 1985**
- 65 Salaries and Wages by Marital Status and Age of Taxpayer, 1983**
- 77 Selected Statistical Series, 1970–1988**

SOI BULLETIN

Department of the Treasury
Internal Revenue Service

Publication 1136 (Rev. 1-88)

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The SOI Bulletin provides the earliest published annual financial statistics from various types of tax and information returns filed with the Internal Revenue Service. It also includes information from periodic or special analytical studies of particular interest to tax administrators. In addition, historical data are provided for selected types of taxpayers, as well as the gross internal revenue collections and other tax related items.

Information on the availability of additional unpublished data concerning the topics in this issue may be obtained by writing to the Statistics of Income Division, TR:S Internal Revenue Service, Washington, DC 20224.

In addition, special Statistics of Income tabulations based on income tax returns can be produced upon request on a reimbursable basis. Requests for this service should be addressed to the Director, Statistics of Income Division, at the address shown above.

Overall policy review of the SOI Bulletin was conducted by the Office of Tax Analysis, under the direction of Thomas Neubig. For this issue, those assisting in the review were Allen H. Lerman and James Cilke. Robert A. Wilson and Bettye Jamerson of the Statistics of Income Division were the technical editors and were assisted by Clementine D. Brittain who provided editorial assistance and did the copy preparation.

Suggested Citation

Internal Revenue Service
Statistics of Income Bulletin
Winter 1987-88
Washington, D.C. 1988

For sale by the Superintendent of Documents,
U.S. Government Printing Office,
Washington, D.C. 20402

STATISTICAL SERVICES

(Available from Statistics of Income Division)

As part of the Statistics of Income program a series of new services is now being offered (see below). Detailed information on these statistical services can be obtained by writing to Director, Statistics of Income Division (TR:S), Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224. Purchase is by check made payable to the IRS Accounting Section.

Studies of International Income and Taxes, Publication 1267 — Price \$45.00

Purchase price includes a 516-page document for 1979–83 that presents information from 13 Statistics of Income studies in the international area, including:

- Foreign activity of U.S. corporations
- Activity of foreign corporations in the U.S.
- Foreign interests in U.S. corporations
- Statistics related to individuals, trusts, and estates
- Data presented by—geographical area or industrial activity, as well as other classifiers

Purchasers of this service also will be provided with additional information for one year as it becomes available. The one year period for receiving additional information can be extended at a cost of \$35.00 per year. A long-term subscription (\$150) includes the compendium and additional information as it becomes available through August 1990. (The next compendium is scheduled for release in September 1990.)

Individual Income Tax Returns, Publication 1304 — Price \$32.00

Purchase price includes a 196-page document for 1985 presenting Statistics of Income data and tables on:

- Sources of income
- Exemptions
- Itemized deductions
- Tax computations
- Data presented by—size of adjusted gross income, marital status

Purchasers of this service also will be provided with additional articles relating to 1984 data and preliminary 1985 data as they become available and will be notified of future statistical releases relating to individual income tax returns.

Partnership Returns, Publication 369 — Price \$22.00

Purchase price includes a 314-page document for 1978–82 presenting previously unpublished Statistics of Income data for 1980, 1981 and 1982, as well as data previously issued in other publications. Features include:

- Number of partnerships
- Limited partnerships
- Receipts
- Cost of sales and operations
- Deductions
- Net income
- Capital gains
- Data presented by—industry
size of total assets
state
number of partners

Purchasers of this service also will be provided with data for 1983–1985 as they become available and will also be notified of future statistical releases relating to partnership returns.

Other Services — Price dependent on the request

- Unpublished tabulations from SOI program are available. Includes detailed tables underlying those published in SOI Bulletin.
- Special tabulations produced to user specifications.
- Public use tape files, including the Individual Tax Model (1978–1984), among others. (Earlier files are available from the Machine Readable Branch (NNSR) of the National Archives, Washington, DC 20408.

BUSINESS SOURCE BOOKS

(Available from Statistics of Income Division)

In addition to the Corporation Source Book, two others are now being offered by the Statistics of Income Division (see below). Information can be obtained by writing to Director, Statistics of Income Division (TR:S) at the address above. Purchase of Source Books should be made at time of request by check payable to the IRS Accounting Section.

Corporation Source Book, 1984, Publication 1053 — Price \$175.00

This is a 480-page document that presents detailed income statement, balance sheet, tax and investment credit items by major and minor industries and size of total assets. This report is part of an annual series and can be purchased for \$175 (issues prior to 1982 are for sale at \$150). A magnetic tape containing the tabular statistics for 1984 can be purchased for \$1,500.

Partnership Source Book, Publication 1289 — Price \$30.00

This is a 291-page document showing key partnership data for 1957 through 1983, at the minor, major and division industry level. Includes a historical definition of terms section and a summary of legislative changes affecting partnerships during that period. Tables feature:

- Number of partnerships
- Number of partners
- Business receipts
- Depreciation
- Taxes paid deductions
- Interest paid
- Payroll
- Payments to partners
- Net income

Purchasers of this service also will be advised of the release of subsequent years' data. A magnetic tape containing the tabular statistics can be purchased for an additional \$200.

Sole Proprietorship Source Book, Publication 1323 — Price \$95.00

This Source Book is a companion to that for partnerships, shown above. It is a 244-page document showing key proprietorship data for 1957 through 1984. Each page contains statistics for a particular industry. Included will be data on:

- Number of business
- Business receipts
- Interest paid
- Depreciation
- Taxes paid deductions
- Payroll
- Net income

As with Partnerships, a magnetic tape containing the tabular statistics can be purchased for \$245.

OTHER PUBLICATIONS

(Available from Superintendent of Documents GPO, Washington, D.C. 20402)

The Statistics of Income (SOI) Bulletin (Quarterly) — Publication No. 1136

Subscription price \$16.00; Single copy price \$6.00

The SOI Bulletin provides the earliest published financial statistics from the various types of tax and information returns filed with the Internal Revenue Service. The Bulletin also includes information from periodic or special analytical studies of particular interest to tax administrators and economists.

Statistics of Income—1984, Corporation Income Tax Returns, Publication No. 16

Price \$8.50

Presents information on—

- Receipts
- Deductions
- Net income
- Taxable income
- Income tax

- Tax credits
- Distributions to stockholders
- Assets
- Liabilities

Data classified by—

- industry
- accounting period
- size of total assets
- size of business receipts

SOI Bulletin Board

Winter 1987-1988

SOME OBSERVATIONS AND INSIGHTS

In 1988, we continue to look for ways to make the *SOI Bulletin* more useful to you, our readers. We hope that the introduction of a new regular feature, the "SOI Bulletin Board," will succeed in doing just that. This space, which will appear in the front of each *Bulletin*, is envisioned as a vehicle for us to communicate with users of SOI about current activities, plans, and the people who are making things happen.

The Bulletin Board will include several regular columns:

- Some Observations and Insights;
- This Issue at a Glance;
- Behind the Scenes;
- Your Call; and
- Upcoming Features.

This column will be used to let you know about important activities and innovations which impact on the SOI data we produce, both for the *Bulletin* in particular and for SOI users in general. The effects of the Tax Reform Act of 1986, plans for the 75th anniversary of SOI, major program changes and the like will be brought to your attention. We hope that with your help this new feature will evolve into a useful vehicle for exchange of information between SOI and its subscribers. Please let us know how you feel by filling out the User Survey Form at the back of the issue, or calling me directly on (202) 376-0216.

Fritz Scheuren
Director, Statistics
of Income Division

THIS ISSUE AT A GLANCE

This item will provide a brief introduction to the articles appearing in the current issue. Perhaps we can entice you to look at an article outside your area of primary interest.

The Winter 1987-88 issue of the *Bulletin* focuses on data produced largely by our Individual Statistics Branch. A brief abstract of each article is provided below:

SOI, 75 Years of Service.—This article provides a brief overview of the past history of the SOI Division, including a 1933 article by one of our former directors, as well as a current summary of projects and primary contacts.

SOI Studies of Individual Income Tax Returns.—This is the most recent in a four-part series on SOI statistical services. The focus is on data produced from individual income tax returns. Similar articles, on studies of international income and taxes and on "domestic" special studies have appeared in the Fall 1986 and Fall 1987 issues, respectively. Present plans call for publication later this year of a concluding article, on corporations, partnerships, and sole proprietorships.

Individual Income Tax Returns, Preliminary Data, 1986.—This article presents the first comprehensive statistics from individual income tax returns for Tax Year 1986. The preliminary data are an annual feature of the Winter issue.

Individual Income Tax Rates, 1985.—Studies of individual income tax rates are another annual feature of the Winter issue. Data on average and marginal tax rates are included.

Salaries and Wages by Marital Status and Age of Taxpayer, 1983.—

This article describes a periodic study based on linked administrative files. Linkages enable us to produce data not directly available from individual income tax returns, including such variables as age and separate incomes of husbands and wives who file joint returns.

Selected Statistical Series.—Beginning with the Winter issue, the Selected Statistical Series section is gradually being expanded to include new historical tables, which were previously published in Joseph A. Pechman's *Federal Tax Policy*, Fifth Edition, The Brookings Institution, Washington, D.C., 1987. These new tables put Federal tax return data into perspective in terms of the overall population and national income concepts. Plans are that from now on the *Bulletin* will be the principal vehicle for keeping these, as well as other SOI historical tables, current.

BEHIND THE SCENES

It goes without saying that many people have worked hard behind the scenes throughout the years to bring SOI data and statistical services to you. This column provides an opportunity to introduce a few of them.

As the *Bulletin* nears the completion of its seventh year, we would like to recognize some of those who have played major roles in making it what it is today. Our first copy editor, RUTH WISE, left a mark of the highest standard on this quarterly publication. Ruth was a skillful manager of the copy preparation process, for this and countless other SOI publications. She retired from the SOI Division in 1982, after 34 years of Government service. Since

SOI Bulletin Board

Winter 1987-1988

then, the layout work for the *Bulletin* has been in the capable hands of CLEMENTINE BRITTAIN. When Clem began, each issue was cut and pasted, column by column; now her skill and expertise are serving us well as we move toward full use of electronic publishing technology.

The *SOI Bulletin* would not exist, however, without its regular contributors. This issue highlights the SOI data and statistical services related to individual income and taxes. In that area one person who has played a major role behind the scenes is JUNE WALTERS. Her contributions are not only evident in the *Bulletin*, but also in all other Individual SOI publications, where she has been responsible for the preparation and review of the basic tables that bring you the statistics that are the heart of each book.

Another person who stands out for his high quality—and most frequent—contributions is RAY WOLFE. As the guiding hand behind the sole proprietorship program in SOI, Ray has not only written annual articles over the past 4 years, but has also been responsible at the program-level for improving the statistics available in this particular area for the past 5 years.

All of these people—and many, many more—exemplify the high standard we have set for ourselves in serving you, our users.

YOUR CALL

This column is for you. Since the fall of 1982 readers have been invited to speak up through the SOI User Survey provided in the back of each issue. There has been some response to the survey, but we would like to encourage more of you to let us know how you feel. While we operate under budget constraints and must give priority to the data needs of the tax policymakers, we are not insensitive to the needs of other users and we realize that we have shortcomings. Therefore, in this space we will report on results from those questionnaires, as well as summarize the letters we receive from you. We encourage you to use both of these forums to raise issues which other users may find of interest. Comments from you, whether compliments or complaints, are all welcome. We're looking forward to hearing from you.

UPCOMING FEATURES

The following are a few of the articles to look for in upcoming issues of the *SOI Bulletin*:

- "U.S. Possession Corporations, 1983;"
- "High-Income Returns, 1985;"
- "Personal Wealth, 1982 Final Results;"
- "Crude Oil Windfall Profit Tax, 1986;"
- "SOI Statistical Services—Business Statistics;" and
- "Corporation Income Tax Returns, 1985 Preliminary Data."

NOTICE

In August 1987, subscribers to the *Statistics of Income Bulletin* were sent a diskette containing the historical tables published in the Selected Statistical Series section of the Spring issue in order to determine the extent of user needs for the data in this mode. Diskettes were also sent to a small sample of other potential users as well. The accompanying documentation indicated that the diskette could be used on all IBM-compatible personal computers. However, it was subsequently learned that the diskette could not be used on AT&T and Leading Edge equipment. The Statistics of Income Division now has a limited supply of modified diskettes to replace those which were not usable.

To obtain a copy, users of the *Bulletin* who were unable to read the diskettes they received may use the postage-paid User Survey form at the back of this report to request a replacement, or they may write to: Director, Statistics of Income Division, TR:S, Internal Revenue Service, Washington, DC 20224. In stating their name and address, users are asked to further indicate whether this information represents a change since the previous mailing.

For other users of the *Bulletin*, including those whose subscriptions began after June 1987, the Statistics of Income Division will be pleased to learn of their interest in receiving the benchmark tables on diskette in the future. Present plans are to continue to revise the tables in the *Bulletin* as more current data become available and to expand on their content. Diskettes will be produced once a year and offered for sale on a cost basis. A notice will be included in the *Bulletin* when the 1988 diskettes become available. The User Survey form may be used for any comments about this new service, and, later on, to order a copy of the 1988 version.

CONTENTS

Page

Statistics of Income: 75 Years of Service	1
By Bettye Jamerson and Robert A. Wilson	
An overview of Statistics of Income (SOI) since its inception is provided to mark the first 75 years of the modern income tax. Included is a 1933 paper written by a former director of the SOI program. Some observations on the current status of SOI are presented along with names of Statistics of Income Division personnel who may be contacted on various subjects contained in the current program.	
Statistics of Income Studies of Individual Income Tax Returns	21
By Michael J. Coleman	
This is the most recent in a four-part series on broad areas of the SOI program. It provides statistical data trends in the individual income tax area which reflect the response of the taxpaying public over the years to changes in the tax law, from the beginning of the modern income tax in 1913 to the landmark tax reform legislation of 1986; the status of the current program; and some of the plans for the immediate future.	
Individual Income Tax Returns, Preliminary Data, 1986	39
By Robert Kalish and Martha Shiley	
For Tax Year 1986, adjusted gross income (AGI) reported on the 103 million income tax returns, increased by 9.4 percent over 1985. While most major sources of income increased, it was net gains (less losses) from the sale of capital assets that showed the largest percentage increase — 99.6 compared to the 25.2 percent increase recorded for 1985. This change resulted in large part from taxpayer reaction to provisions of the Tax Reform Act of 1986, which repealed the preferential tax treatment of long-term capital gains effective Tax Year 1987.	
Individual Income Tax Rates, 1985	53
By John Labate and Dan Holik	
For Tax Year 1985, an increase in adjusted gross income (AGI) of \$162 billion and in taxable income of \$119 billion brought about an 8 percent increase in total income tax, from \$302 billion for 1984 to \$326 billion for 1985. This increase in total income tax occurred despite indexing of the 1985 tax rate schedules for the effects of inflation by the Economic Recovery Tax Act of 1981. The average total income tax on returns that showed a tax for 1985 was \$3,931, a \$233 increase from 1984.	
Salaries and Wages Reported on Income Tax Returns, by Marital Status and Age of Taxpayer, 1983	65
By Barry Windheim and Charles Crossed	
The proportion of two-earner married couples has increased significantly since the late 1960's. For 1969, 46.0 percent of all joint returns with salaries and wages showed earnings from both husband and wife. The percentage of such returns increased to 49.0 percent for 1974, to 53.0 percent for 1979, and to 57.0 percent for 1983. Over 69 percent of "primary" taxpayers between the ages of 20 and 29 who were wage earners had working spouses compared to only 46 percent of the wage earning primary taxpayers between the ages of 60 and 64.	
Selected Statistical Series	77
Appendix—General Description of SOI Sample Procedures and Data Limitations .	107
Cumulative Index of Previously Published SOI Bulletin Articles	Back Cover

Statistics of Income: 75 Years of Service

By Bettye Jamerson and Robert A. Wilson*

The year 1988 marks the 75th anniversary of the ratification of the Sixteenth Amendment to the Constitution in 1913 and the subsequent enactment by Congress of the Nation's first modern income tax law [1]. Three years later, Congress passed the Revenue Act of 1916, which included a provision requiring the annual preparation of statistics with respect to the operation of the tax law. This provision, with practically no change, has been repeated in each major rewrite of the tax law since then.

The first Statistics of Income (SOI) report, based on income tax returns filed by individuals and corporations for Calendar Year 1916, was released in 1918 [2]. The initial volume also contained some information for 1913-1915, as well, which was secured from earlier Annual Reports of the Commissioner of Internal Revenue [3]. Thus, the data published in SOI cover the entire period of the modern income tax.

In commemoration of these 75 years, it is appropriate to contrast the early years with more recent times. Exhibit A of this article provides what is essentially a reprint of a paper written in 1933 by Dr. Edward White, who directed the SOI program from its inception for almost 30 years. White's comments, written for his employees in an era long past, provide a snapshot of SOI as it was then, its users and uses. Much has changed since, yet much of White's description still applies, notwithstanding the many innovations that have taken place in technology, statistical methodology, as well as in SOI and Government statistics generally and the uses made of them [4].

In the very beginning, SOI reports were almost entirely used for tax research and for estimating revenue, especially by officials in the Office of the Secretary of the Treasury. Today, tax analysts in the Office of the Secretary and in the Congressional Joint Committee on Taxation, continue to be the main users of SOI, although they now rely primarily on microdata rather than just aggregate tabulations. Since the 1930's, the third major user of SOI has been what is now called the Bureau of Economic Analysis in the Department of Commerce. It relies on tax return data extensively for the National Income and Product Accounts [5]. Of course, there are many other users in Government, universities, and the private sector. There are also literally thousands of special requests each year from the general public.

Compared to the single SOI reports for years through 1933 which contained annual data mostly for individual and

corporation returns, later years witnessed increases in both the volume of statistics and in the types of returns covered in response to user needs [6]. At first, this meant separate reports on individuals and corporations. This was followed by a number of other SOI reports and supplements, particularly during the 1960's and 1970's. A contributing factor was the increasing tendency for new provisions of the tax law to require separate reports to Congress by the Department of the Treasury, which first required new SOI data. Frequently, SOI supplements resulted as a by-product. The topics requiring special statistics included individuals with high income, capital gains taxation, international boycott participation, taxation of corporate income from U.S. possessions, income of citizens working abroad, and the operations of Domestic International Sales Corporations [7-12].

While the advent of the computer has certainly increased the amount of SOI data produced over the years (and the speed with which they can be prepared), in many respects these increases have only served to whet the appetite of data users. Not only are more global totals now needed by size or by industry or some other taxpayer characteristic, but information about the computations underlying these totals is also required so the user can better understand the totals. This has necessitated more sophisticated (and usually more costly) statistics from tax return schedules in support of the tax return totals.

The advent of the 1980's has seen a continuation of the demand for more data. A new catalyst has been the recently-enacted Tax Reform Act of 1986. As the first major overhaul of the U.S. tax system since 1954, it is expected to impact heavily on the SOI program, with new kinds of user requirements anticipated in order to evaluate the new provisions.

Needless to say, statistical budgets can never keep pace with user requests and the SOI budget is no exception. In recent years, in particular, reduced budgets for statistics have led to major reassessments of the SOI program. New technologies and methodologies have come to the rescue to a certain extent. The institution of user-funding on a wider scale has helped, too, since it forces users to be more discriminating in defining requirements. However, the computer (which facilitated the proliferation of statistics in the first place) may also be part of the solution, not only in the new processing efficiencies it offers, but also in the increased number of computers of all sizes now at the disposal of data analysts. With personal computers, for

*Coordination and Publications Staff.

example, many of the new demands on SOI are likely to be for more special purpose, public-use microdata files that users can manipulate on their own and from which they can produce tabulations geared to their specific needs; in other words, SOI expects to be moving away from an increase in published statistics [13]. Nothing is free, however, for with this new role comes an added responsibility—the need to improve methods to safeguard identification of individual taxpayers [14].

All of these factors are already reflected in an SOI program which is increasingly characterized by fewer, more streamlined, publications than in the recent past. The *SOI Bulletin* (which was first published during 1981) is an example of this streamlining process, containing as it does preliminary data, data on unincorporated businesses, and data from special studies. All of these were formerly published in considerably more detail in separate SOI reports in the areas of sole proprietorships, partnerships, estates and personal wealth, sales of capital assets, and foreign income and taxes, among others. Most recently, in 1987, the SOI Bulletin Selected Statistical Series tables, containing historical tax return statistics, were produced in a new mode, a diskette.

Exhibit B, which outlines the SOI projects now underway, is evidence that SOI and the topics it now encompasses, continue to grow. This growth, though, cannot be successful unless it takes into consideration the needs of its customers. Therefore, as the kinds and numbers of users increase along with advancing technology, the Statistics of Income Division hopes to continue its tradition of being responsive to user needs. One way in which this can be done is through the User Survey, which appears in the back of each *SOI Bulletin*. Each *Bulletin* reader is encouraged to use this vehicle, as well as personal contact with the staff people, such as those listed in Exhibit B. Results from the User Surveys and a summary of letters received from our readers, will appear in a future issue of the "SOI Bulletin Board," a new column introduced starting with the Winter 1987–1988 *Bulletin*.

These 75 years have seen many changes and many more are anticipated in the years to come. It is with optimism and enthusiasm that SOI looks forward to the years ahead.

NOTES AND REFERENCES

[1] The Nation's first income tax law was enacted in 1862, during the Civil War. However, it was repealed in 1872. The 1894 revival of the income tax was declared unconstitutional in 1895 by the Supreme Court. An excise tax on the income of corporations was in effect from 1909 until 1913.

[2] U.S. Department of Treasury, Bureau of Internal

Revenue, *Statistics of Income Compiled from the Tax Returns for 1916*.

[3] U.S. Department of Treasury, Bureau of Internal Revenue, *Annual Reports of the Commissioner of Internal Revenue*, Fiscal Years 1914–1916.

[4] For a good overall reference, see Duncan, Joseph W. and Shelton, William C., *Revolution in United States Government Statistics, 1926–1976*, Office of Federal Statistical Policy and Standards, U.S. Department of Commerce, 1978.

[5] See, for example, *Corporate Profits: Profits Before Tax, Profits Tax Liability, and Dividends*, Methodology Paper Series MP-2, Bureau of Economic Analysis, U.S. Department of Commerce, May 1985.

[6] For some of these earlier years, the single SOI report also included data from other returns, e.g., partnerships and estates, as well.

[7] See, for example, Lerman, Allen H., "High-Income Tax Returns, 1984," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4.

[8] Clark, Bobby and Paris, David, "Sales of Capital Assets, 1981 and 1982," *Statistics of Income Bulletin*, Winter 1985–86, Volume 5, Number 3, and U.S. Department of Treasury, Office of Tax Analysis, *Capital Gains Tax Reductions of 1978*, September 1985.

[9] See, for example, Mose, Vergie, "Report on International Boycotts, 1976–1982: A Focus on the Middle East," *Statistics of Income Bulletin*, Summer 1985, Volume 5, Number 1, and U.S. Department of Treasury, Office of Tax Analysis, *The Operation and Effect of the International Boycott Provisions of the Internal Revenue Code*, annual report.

[10] See, for example, Szefflinski, Kenneth, "U.S. Possessions Corporation Tax Credit, 1980," *Statistics of Income Bulletin*, Spring 1983, Volume 2, Number 4, and U.S. Department of the Treasury, Office of Tax Analysis, *The Operation and Effect of the Possessions Corporation System of Taxation*, annual report.

[11] See, for example, Paris, David, "Foreign Income and Taxes Reported on U.S. Individual Tax Returns, 1983: An Overview," *Statistics of Income Bulletin*, Summer 1987, Volume 7, Number 1.

[12] See, for example, Hartzok, Jeffrey, "Domestic International Sales Corporation Returns, 1980," *Statistics of Income Bulletin*, Fall 1983, Volume 3, Number 2, pp. 9–24, and U.S. Department of Treasury, Office of Tax

Analysis, *The Operation and Effect of the Domestic International Sales Corporation Legislation*, annual report.

- [13] Public use tape files, consisting of detailed information taken from a stratified sample of actual individual tax returns, are available for purchase from the Statistics of Income Division for 1978-1985. Earlier files are available for purchase from the Machine Readable Branch (NNSR) of the National Archives and Records Service,

Washington, DC 20408.

- [14] Strudler, Michael, Oh, H. Lock, and Scheuren, Fritz, "Protection of Taxpayer Confidentiality With Respect to the Tax Model," 1986 *American Statistical Association Proceedings, Section on Survey Research Methods*, and Wilson, Oliver H. and Smith, William J., Jr., "Access to Tax Records for Statistical Purposes," 1983 *Proceedings of the American Statistical Association, Section on Survey Research Methods*.

EXHIBIT A.—Descriptive Synopsis of Economic Data Compiled from Federal Income Tax Returns of Individuals and Corporations and Federal Estate Tax Returns and of the History, Scope and Functions of the Statistical Section

By Edward White*

Members of the Statistical Section:

In the belief that it is the desire of each of you to better comprehend the purposes of the Statistical Section and to visualize the various steps leading to the compilation and publication or otherwise presentation of the statistical reports emanating from this Section, there is attached a descriptive synopsis outlining to some extent its history, the purpose of its creation, the value of its compilations and the importance attached to the work in which each of you is taking part, whether it be coding, transcribing, card punching, tabulating or compiling and analyzing the data.

In the knowledge that the data compiled by this Section are of real and far-reaching value in connection with the economic problems of our government, I am sure that you will read the "Descriptive Synopsis" with the greatest interest and that it will give you a better conception of the value of each step of the work and your connection with it.

EDWARD WHITE,
Chief, Statistical Section.

February 1, 1933.

DESCRIPTIVE SYNOPSIS

Statistical Section, Income Tax Unit

Authority, Origin, Purpose, Scope, and Nature and Value of Compilations

Authority

To the Congress, framing the Revenue Act of 1916, it became apparent that accurate information regarding the distribution of income in the United States was necessary. Accordingly, there was incorporated in that act a provision (Section 21) requiring the preparation of statistics with respect to the operation of the income tax law, statistics covering classification of taxpayers and of income, the

amounts allowed as deductions and exemptions, and any other facts deemed pertinent and valuable.

Due to the subsequent enactment of the war profits and excess profits tax provisions, the Revenue Act of 1918 broadened the foregoing requirement relative to the collection of statistics so as to also include data concerning the operation of these provisions. By all succeeding acts the Commissioner is required to collect and make available data from the income, war profits and excess profits tax returns in the same manner as set forth above.

Origin of Statistics of Income

In accordance with the above referred to provision of the law, there was compiled from the income tax returns filed by individuals and corporations for the calendar year 1916, the first volume of "Statistics of Income."

Following this volume, there have been issued successively both Preliminary and Complete Reports of "Statistics of Income," compiled from the returns filed for each year.

Prior to 1916 the income tax was of minor importance as a source of Federal revenue. Its relative importance with respect to total ordinary receipts of the Federal Government which are comprised principally of customs, income and war profits tax, miscellaneous internal revenue tax, sales of public lands and other miscellaneous receipts, is shown in the following summary of income tax collections covering the years 1910 to 1932, inclusive:

Income and Profits Tax Collections, 1910 to 1932, Inclusive, Showing the Revenue Acts, Years Comprising the Collections, Total Income and Profits Tax Collections, and Per Cent of Income Tax to Total Ordinary Receipts

Revenue Acts	Years in which tax was collected (Fiscal year ended June 30)	Income and profits tax collections	Per cent of income to total ordinary receipts
Corporation Excise Tax of 1909	1910 to 1913	\$ 118,058,362	4.25%
Revenue Act of 1913	1914 to 1916	276,520,287	12.48
Revenue Act of 1916 (amended Mar. 3, 1917, and Oct. 3, 1917) and Act of 1917	1917 to 1918	2,673,687,520	55.83
Revenue Act of 1918	1919 to 1921	10,169,779,133	58.21
Revenue Act of 1921	1922 to 1924	5,588,880,039	46.08
Revenue Act of 1924	1925	1,760,537,824	46.57
Revenue Acts of 1926 and 1928	1926 to 1932	14,040,414,394	54.45

*Edward White was the Chief, Statistical Section, Income Tax Unit, Clearing Division of the Bureau of Internal Revenue, from 1918 until 1946.

Purpose Underlying the Collection of Statistics from Income Tax Returns

The obvious reasons which compel an individual or a corporation to maintain accounting records showing sources and amount of income and nature and amount of expenditures are identical with those which compel the Federal Government to compile a composite statement of the income and expenditures of all its citizens and corporations upon whom it depends for close to half of all its revenue. To an individual or corporation, the single source from which an individual or corporation derives half of its income is subject to the most careful analysis because changes affecting it could prove more serious than total loss of any one of the many single sources which compose the other half of total revenue. Similarly, the Federal Government must keep close watch upon the composition of its aggregate of income tax returns.

Specifically, these reasons are:

1. To provide Congress with an analytical statement of that portion of the nation's income as disclosed on income tax returns on which its policies with respect to tax levies on income are determined.
2. To provide the President and the Secretary of the Treasury with basic data upon which recommendations to Congress as to income tax legislation are based.
3. To provide the Secretary of the Treasury with basic data concerning income distribution in the United States which serves as an important factor in the formula used in arriving at the official Treasury estimates of anticipated revenue.
4. To provide the Commissioner of Internal Revenue with certain basic data as to the average gross sales, average net income, etc., of industrial groups as a means of administering the tax law in those cases where taxpayer's records are inadequate.

The foregoing reasons imply a more concrete and definite purpose for the assembly of economic and financial data than is customarily imputed to collection of data in the usual statistical sense. In the first place, the figures are more nearly absolute than merely representative, they are rigidly coordinated as between the millions of highly technical schedules (income tax returns), rather than merely tallied from uniform schedules, and they stand alone in their field without the benefit of the usual checks for accuracy that exist from a knowledge of other closely related data. In the second place, the compilations are not utilized solely by the students of social sciences in arriving at valuable conclusions not heretofore reached but also serve as a positive base upon which definite action is taken by the Department and Congress.

Further statements as to purpose for which financial data from income tax returns are collected follow:

"Its (the Statistical Section) objective is primarily twofold; First, that of compiling statistics from the returns of net income as required by Congress, and Second, the preparation of special compilations and other research data from the returns of net income for use in the administration of the law.

"It will be seen from the above that its functions are not to indulge in ethical speculation, abstract theories, or personal philosophies, but its economic service is that of providing Congress with concrete information as to classes of taxpayers, sources of income or nature of business pursuits; or preparing special compilations for use in the administration of the Income Tax Laws, or perhaps through its publications, 'Statistics of Income,' giving to the public information of value, not only in the study of the economic conditions of the country, but likewise facts and figures upon which and through which the business statistician and business administrator may chart comparisons of productions and gauge the potential absorption power by geographical divisions." [1]

"These statistical reports have inaugurated an epoch in income statistics. Never before had the economist, the statistician, or the business executive either a contemporaneous or historical presentation of the financial status of the civil organization of a nation so vital, so valuable, or so helpful in determining the distribution of incomes, the rise and fall of profits or the purchasing power of communities. Nor had the legislator prior to this time comprehensive data by which to gauge either the tax productivity of proposed legislation or the economic reaction to such legislation." [2]

Scope of Data Collected and Utilized

Fundamentally, interest attaches only to sources of income, deductions against income, net income, and a statement of assets and liabilities in which changes have an effect upon income.

The statutory definition of gross income is as follows:

" 'Gross income' includes gains, profits, and income derived from salaries, wages, or compensation for personal service, of whatever kind and in whatever form paid, or from professions, vocations, trades, businesses, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property; also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, or gains or profits and income derived from any source whatever." [3]

The statutory definition of deductions against gross income is as follows:

"All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered; traveling expenses (including the entire amount expended for meals and lodging) while away from home in the pursuit of a trade or business; and rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity." [4]

The statutory definition of net income means the excess of the gross income as defined by Section 22(a), over the deductions as defined by Section 23(a). [5]

"Economic theory and accounting practice have long been in utter disagreement as to what constitutes 'net income'. The courts, which had the opportunity to arbitrate between the opposing concepts of the economist and the accountant, have avoided the issue by declaring that the use of the term 'in common speech' is sufficient for purposes of law. (*Eisner v. Macomber*, 252 U.S. (1920) 189; *Merchants Loan and Trust Co. v. Smietanka*, 255 U.S. (1921) 509.) Congress and the state legislatures have wisely given more consideration to the accountants' concept of net income than to the economists' view.

"The accountants' concept of personal net income may be defined as the monetary or material receipts of an individual in the course of a period of time, say a year, in excess of the monetary or material costs of obtaining those receipts." [6]

From the foregoing, it will be observed that the income tax blank furnished the taxpayer, both individual and corporate, upon which is to be reported the net result of all his manifold transactions involving financial gain or loss must be sufficiently comprehensive to provide a space for the entry of the net results of all transactions which affect the correct determination of statutory net income and final tax liability.

It is from this type of return from which the tabulations are made and since only minor items on the return are not tabulated separately it may be stated that the data collected are a comprehensive tabulation of the net result of all financial transactions affecting the incomes and deficits of all corporations and of all individuals required to file returns.

The classification of the data tabulated is made with a view towards providing an analytical statement of the data

upon which the effects of contemplated action by Congress with respect to the taxation of income in its entirety or of any of its forms may be intelligently estimated. A summary of the classifications follows:

"The data compiled from the individual income tax returns include such important matters as the number of returns filed and the net income shown upon these returns, classified by sex, family relationship, and geographically; the income from business classified by industrial groups; the income from specific sources, such as salaries, business, etc., classified by size; and the interest and principal shown for total and partially tax-exempt obligations of the Federal Government, United States possessions, and obligations of States and Territories and political subdivisions thereof, as reported on the income tax returns filed by individuals and corporations.

"In addition data are compiled in regard to deductions from income and income exemptions and credits, classified by size of net income and geographically. And, of course, information is gathered in regard to tax liability.

"Data compiled from the corporation income tax returns include receipts and disbursements of corporations filing income tax returns, and the assets and liabilities of a large number of these corporations classified by industrial groups. Information is presented in regard to such important matters as the number of returns filed, the gross income, the net income or deficit, and the tax liability shown on these returns, classified by size of net income or deficit, by industrial groups and by geographical areas. In addition, data are tabulated separately for those corporations which file fiscal year returns for periods ending other than at the end of a calendar year." [7]

Value of Data Compiled (Commercial Viewpoint)

The test of the value lies in the practical utilization of the data compiled and its practical use is evidenced by concrete examples constantly exhibited. Among the many coming to the attention of the office, a few will be cited as illustrative of the use which the data constantly serve.

1. In a report recently released by Moody's Investors Service, entitled "A Nation Wide Survey of Public Utility Progress," prepared for the reason that, as it states "The place of the public utility business in the industrial life of the American people is here pictured through a long series of totals which have been especially selected to answer the questions most frequently arising in the minds of investors," there is contained the following reference:

"The above tables are designed to replace similar previous compilations, the publication of which in this Manual was discontinued two years ago. Instead of being based on a distant official estimate, such as the Census of Manufactures for 1919, and brought up to date with the help of data on new security issues, they are now for the most part official figures, at least up to 1929, inclusive. The sources for the tabulation of corporate debt and capital are the Statistics of Income, published by the Treasury Department and the data are based on the balance sheets of about 400,000 corporations reporting to the United States Treasury." [8]

Moreover, in a letter dated August 19, 1932, from Moody's Investors Service to the Commissioner of Internal Revenue, the following comment is observed:

"In the 'Statistics of Income' your Bureau compiles very valuable statistics showing total assets and liabilities of corporations. This organization is particularly interested in the total of bonded debts and mortgages outstanding and we have been using your figures in response to a very keen interest in this subject on the part of investors."

2. A study of W.L. Crum, Editor, *Review of Economic Statistics*, entitled "Corporate Earning Power," contains the following foreword:

"Individual and group studies undertaken in universities and elsewhere are gradually assembling data which enable the executive to compare his operations with some form which the studies develop. Bureaus of business research and others who make studies of business publish from time to time, analyses of enterprise . . . This study deals with a subject that has interest for all business men, and, unlike those occupied with sample concerns, employs data for all corporations which report income to the United States Government."

and in the preface to the volume contains the following:

"The following chapters constitute a first report of the findings of an analytical examination into the corporation statistics regularly published by the United States Treasury in its annual compilation, 'Statistics of Income'." [9]

3. Perhaps no greater general economic interest lies in any forecasts than that of business income and profits. The results of experimental studies along these lines having for their basis the financial and economic data compiled from income tax returns of corporations are contained in the October 1929 issue of the *Journal of Business* of the University of Chicago. As illustrative of the part played by the income statistics and the nature of their analyses, the following quotation will serve:

"Much economic interest has been attached to the statistics of income and profits since the annual publications of the Bureau of Internal Revenue appeared, at about the same time of our entrance into the World War. In recent years Friday, Foster and Catchings, Hastings, Crum, Sloan and many others have made interesting contributions on the subject of profits, both descriptive and theoretical in their consideration. All of the large corporations that have their stocks listed on the New York Stock Exchange are required to report their earnings annually, and these annual, and also many quarterly, statements of earnings are now published. In number, however, these few large corporations that publish their statements form an extremely small proportion of all corporations in the United States. The total earnings of these large and, for the most part, successful corporations, now tabulated by various organizations, are not similar enough to the totals of the 450,000-odd corporations reporting income to the Federal government to be used as a basis of estimating total annual profits of all corporations before the official figures finally become available. Thus, in addition to the statistical interest in existing relationships and variations between income, profits, and business, there is the interest in and need of some means of approximating current total business income and profits of the entire country." [10]

An extremely important point respecting value of the corporate data compiled from income tax returns is brought out in the foregoing quotation which relates to the fact that at the present time corporate income and disbursement data are only fragmentary in the case of all sources with the exception of the Bureau of Internal Revenue. A notable example of the incomplete state of the data is illustrated by the figures showing amount of cash dividends paid by corporations. Outside of the Bureau of Internal Revenue, one of the most widely used sources for this particular item is the *New York Journal of Commerce*, which figures are reprinted in the official publications entitled "Survey of Current Business" and "Statistical Abstract of the United States."

A summary comparison of the figures from that source, with those compiled from income tax returns, follows:

Years	Cash dividends ¹ Statistics of Income	New York Journal of Commerce ²
1930.....	8.2	4.2
1929.....	8.3	3.4
1928.....	7.0	2.3
1927.....	6.4	2.1
1926.....	5.9	1.1
1925.....	5.1	1.0
1924.....	4.3	1.0
1923.....	4.1	.9
1922.....	3.4	.9

¹ All figures in billions and tenths of billions of dollars.

² Statistical Abstract of the United States, p. 291.

4. As to the value of data respecting the distribution of income among individuals, perhaps the most important

commercial use lies in the determination of purchasing power throughout the country. Foremost among those using these data for this purpose which come to the attention of the office is the Curtis Publishing Company [11].

The income tax figures constitute an important element in the formula used by that company in classifying the potential purchasing power of the communities throughout the United States. Many other formulas are in use by other agencies which include these data as an element.

Chief among these others is a study entitled "Selling Your Market," prepared by the *Quality Group* (*The Atlantic Monthly*, *The Century*, *Harper's Magazine*, *The Review of Reviews*, *Scribner's Magazine*). In connection with their use of the figures, the following comment is observed:

"While it seems evident from an analysis of incomes that a large part of the surplus income in the United States is in the Quality Market, it is always interesting to have evidence in substantiation, which in this case is strikingly given by the latest Federal Income Tax returns available." [12]

Likewise, the data are used officially by the Department of Commerce as evidenced in its tri-monthly publication entitled "Domestic Commerce," which states:

"Final figures on the income tax returns for the year 1930 and a preliminary report covering income tax returns for the year 1931 which were filed prior to August 31, 1932, were released a few days ago by the Bureau of Internal Revenue. The increases in numbers of returns referred to in the item above on this page and shown in the map on the following page are significant as market indicators..." [13]

5. A general statement in the *Economic World* sums up in a brief way the value of the figures relating to individuals in the following manner:

"... it is also true that in the long run public thinking about matters of the greatest consequence is much affected by these statistics, as their meaning from various standpoints is gradually elucidated by those who are called upon to deal theoretically or practically with the national economy in its different aspects. It goes without saying, for instance, that in the domain of taxation, whether National, State or local, the information supplied by the income tax figures is invaluable and virtually indispensable now that we have it. Apart from this directly practical use of the figures, however, they are of the greatest assistance in arriving at sound conclusions with regard to the economic situation of the American people in successive years and successive periods of years. Conjoined with the statistics of industrial and agricultural

production from year to year, with such statistics as we have for the volume of the country's domestic and international trade, with the available figures for the accumulation of wealth through savings, life insurance and other forms of thrift, and with the estimates now regularly made at frequent intervals by competent authorities of the total national income and the total national wealth, the income tax statistics enable us to form a reasonably accurate picture of the true economic state of the country. It may be added that they also throw much light upon such matters as the stability of the general price level for commodities and services of all kinds, the adequacy of the remuneration and profits of the various classes of persons engaged in production and distribution in all their forms, the general prosperity (or the reverse) of industry and trade at any given time, and a long series of other similar matters of economic importance." [14]

Value of Data Compiled (Governmental Viewpoint)

1. An income tax law, framed without regard to the amount and distribution of income and estimates as to tax such a law might produce would, no doubt, miss the mark by far of the end intended to accomplish. Fortunately, a fair idea of the amount of the several forms of income, as well as its distribution among the several net income classes is made available by the Statistical Section, and the framers of the laws and official estimates take the data into very serious consideration. As to the official estimates, a series of articles appearing in the *Review of Economic Statistics* explains in detail the method of estimating revenue on the basis of data tabulated from the income tax returns of both individuals and corporations [15]. It is true, as is pointed out in those articles, that many adjustments of the data are necessary to fit the peculiar problem at hand but nevertheless the data as tabulated form the basis from which the work is performed. The fact that such adjustments are necessary is not serious so long as the data tabulated from year to year are comparable. It is, of course, the effort of the Section at all times to keep the figures comparable as between the several years.

2. As to legislation, much evidence is found of the practical use of income statistics by the committees of both houses of Congress charged with handling tax legislation.

A few illustrations will be of interest.

(a) Senate Resolution 253 directed the Secretary of the Treasury to furnish the Senate with the following information:

"First, Any and all facts, figures, data, or information now in possession of the Treasury Department relative to profiteering which would in any way enable Congress to

deal with the matter either through the present proposed revenue legislation or through enactment of more effective criminal statutes. That such report shall contain a list of all corporations with the amount of their earnings which have earned in excess of fifteen per centum on their capital stock, as shown by their returns to the Internal Revenue Bureau for the calendar year nineteen hundred and seventeen, accompanied by such statement as will show net earnings of the same corporation for the calendar year nineteen hundred and sixteen."

"Corporate Earnings and Government Revenues" (388 pages) embodies the response to this resolution. This document contains statistical data compiled from 31,500 income and excess-profits tax returns of corporations.

(b) Senate Resolution 115 requested the Secretary of the Treasury to furnish information regarding the excess-profits taxes of corporations based upon the business of 1921 and for which returns or assessments were made during the year 1922 as follows:

"For each serial number of corporations as indicated on pages 58 to 65, inclusive, Table 9, 'Statistics of income from returns of net income for 1921,' as compiled and published under the direction of the Commissioner of Internal Revenue.

"(a) The number of corporations in each serial number reporting income subject to taxation under the first bracket of the revenue act of 1921, together with the amount of net earnings subject to such tax and the amount of tax assessed thereon.

"(b) The number of corporations in each serial number reporting income subject to taxation under the second bracket of said act, together with the amount of net earnings subject to such tax and the amount of tax assessed thereon."

The reply to this resolution is contained in Senate Document No. 67 (82 pages).

(c) Senate Resolution 110 directed the Secretary of the Treasury to furnish information relative to profit, surplus and dividends of corporations reporting net taxable income of \$2,000 and over in 1922. The reply to this resolution is contained in Senate Document No. 85 (132 pages).

(d) Senate Resolution 99 directed the Secretary of the Treasury

"... to furnish to the Senate a statement based on corporation income tax returns covering the year 1924, showing for each corporation engaged in the mining of

anthracite coal, the amount of capital stock, the amount of invested capital, the amount of net income, the amount charged to depletion and depreciation accounts, and the amount of Federal tax paid by each such corporation."

The reply to this resolution is contained in Senate Document No. 48, (10 pages).

(e) The utilization of data compiled from income tax returns is especially noted in the case of the Joint Congressional Committee on Internal Revenue Taxation and its staff which determines the effect of certain tax proposals upon revenue. The two following illustrations will suffice:

1. In letter dated March 23, 1931, to Hon. Willis C. Hawley, Chairman, Joint Committee on Internal Revenue Taxation, Mr. Parker, Chief of Staff, discusses the importance of certain tax proposals and closes his letter with the following recommendations:

"It is recommended in view of the importance of this subject that the Treasury Department be requested to give us a preliminary tabulation of the facts set forth in the chart attached for the 1930 returns by November 15, 1931. This will enable the committee to discuss this matter in the light of the true facts."

By letter of March 23, 1931, addressed to Hon. Ogden L. Mills, Mr. Hawley concurred in Mr. Parker's recommendation and further states:

"... you will appreciate the fact that if the Committee is to discuss this subject intelligently it will be necessary to have the facts for 1930 on account of the unusual economic conditions obtaining in that year."

2. Another evidence of the use by the Joint Congressional Committee of income statistics is found in an interesting report entitled "Preliminary Report on Earned Income." All the statistical tables reprinted in this report and on which the report was based had as their source the "Statistics of Income" series.

(f) Illustrations of use made of income statistics by other branches of the Government are as follows:

The Federal Trade Commission in response to Senate Resolution 451 of the 67th Congress concerning an estimate of National Wealth and Income relied considerably upon the figures tabulated from income and estate tax returns [16].

The Department of Commerce is at this time compiling an estimate of national income in response to Senate Resolution 220 of the 72nd Congress which reads as follows:

"Resolved, that the Secretary of Commerce is requested to report to the Senate of United States on or before December 15, 1933, estimates of the total national income of the United States for each of the calendar years 1929, 1930, and 1931, including estimates of the portions of the national income originating from agriculture, manufacturing, mining, transportation, and other gainful industries and occupations, and estimates of the distribution of the national income in the form of wages, rents, royalties, dividends, profits, and other types of payments. These estimates shall be prepared by the Bureau of Foreign and Domestic Commerce, and the Bureau shall use available official and unofficial statistics and such relevant data as may be in the possession of the various departments, bureaus, and independent establishments of the Federal Government."

Pursuant to the authority contained in the resolution, the Department of Commerce has requested the assistance of the Statistical Section. In fact, much work has already been performed.

The Timber Conservative Board which was appointed by the President on November 12, 1930, to seek the development of sound and workable progress of private and public effort, with a view to securing and maintaining an economic balance between production and consumption of forest products and to formulate and advance a deliberate plan of forest conservation, made the following comment in a letter to Hon. David Burnet, Commissioner of Internal Revenue, dated December 19, 1931:

"The information and statistical tables furnished this Board by the Statistical Section of the Income Tax Unit have been exceedingly helpful in determining the trend of taxation in relation to the Forest Products Industries . . . Except for the comprehensive and efficient manner in which these data were assembled, segregated, distributed, and kept by your Statistical Section, it would have been very difficult, if not impossible, for the Board to have secured this essential information from any other source. It has enabled the Board to compile a complete financial set-up for the Timber Industry for each of the States and regions involved."

The United States Coal Commission in its final report, Part IV, page 2,516 contains the following:

"The tables of invested capital and net income of bituminous coal mining companies as shown by their Federal Income Tax returns, given in Part IV, were prepared by Mr. Edward White, Head of the Statistical Division, Income Tax Unit of the Bureau of Internal Revenue, with the courteous permission of the Secretary of the Treasury."

Use Made of Income Statistics by the States

1. In many of the states in which consideration has been given to enactment of state income tax laws, the Statistical Section has furnished data for use in framing the tax laws. The requests have been varied and numerous. Typical of these requests is the following from the State of Kansas, State Tax Code Commission:

"At our request you furnished us a few months ago with some very valuable data relative to the number of returns, taxable income, etc., on banks, both state and national, in Kansas, and like information of other financial institutions, loan companies, mortgage companies, etc.

"The Tax Code Commission now has under consideration in order to work out the complications arising over the national banks tax situation, a franchise tax for all corporations based upon income.

"In the consideration of this proposal, we need all information available relative to other corporations. You have furnished the same to us for the financial groups and if we could get like information from all other corporations, excluding the financial group, similar to the analysis which you furnished us recently on the financial group, same will be of great benefit to this commission.

"The information desired is as follows for all corporations except the financial group:

1. Total number of all returns.
2. Of those reporting net income
 - (a) Number of returns
 - (b) Statutory net income
 - (c) Tax-exempt income
 - (1) Dividends on capital stock of domestic corporations.
 - (2) Interest on Federal, state and municipal bonds.
 - (d) Total net income
 - (e) Taxes paid other than income tax
 - (f) Amount of income tax
3. Of those reporting no net income.
 - (a) Number of returns
 - (b) Statutory deficit
 - (c) Tax-exempt income.
 - (1) Dividends on capital stock of domestic corporations.
 - (2) Interest on tax-exempt securities.
 - (d) Deficit plus tax-exempt income
 - (e) Taxes paid other than income tax."

2. Moreover, in the annual and special reports of state and tax commissions much evidence is found of the value of income statistics as compiled from the Federal income

tax returns. One citation of this will illustrate the point. In the report of the State Tax Commission of North Carolina for 1930, the following appears:

"In planning the study, the Tax Commission had the advice and criticism of Mr. Edward White, Chief, Statistical Section, Income Tax Unit of the Bureau of Internal Revenue. While this report does not follow the style or contents of the annual report 'Statistics of Income from Returns of Net Income' of the United States Bureau of Internal Revenue, its general conception and set-up were based upon a careful examination of that report; and the study undertakes to present such similar statistical information as would be most valuable in a critical evaluation of the North Carolina State Income Tax." [17]

Probable Future Value of the Income Statistics

"At the close of first session of the Seventy-second Congress, the Committee on Ways and Means authorized and directed the appointment of a special subcommittee for the purpose of making a study of Federal and State taxation with particular reference to the duplications which occur through overlapping authority." [18]

Pursuant to this authorization, there was prepared recently a preliminary report by the staff of the Joint Committee on Internal Revenue Taxation and transmitted with the following letter, dated December 28, 1932, addressed to Hon. Fred M. Vinson by Mr. L. H. Parker, Chief of the Joint Committee's staff:

"My dear Mr. Chairman: At the direction of Hon. James W. Collier, Chairman of the Joint Committee on Internal Revenue Taxation, there is submitted herewith a 'Preliminary Report on Federal and State Taxation, and duplications therein'. This report has been prepared at your request and it is hoped that it may be of sufficient value to form a basis for the future work of your committee.

"At the completion of some months of study of our taxation system as a whole, it is our opinion that very substantial improvements can be made therein, through cooperation between the Federal Government and the States. The tax burden is great and the public are fully conscious of this burden in these times of stress. A more equitable distribution of the burden and its ultimate reduction through a judicious curtailment in expenditures would doubtless not only be welcomed by the public but would also have a most beneficial effect on business." [19]

In the report accompanying the letter, a very prominent place is assigned to the importance and discussion of the income tax principle as a means of raising revenue and the

need for a review of the whole income tax structure with thought in mind of more practical and scientific application in the future.

Pertinent statements indicating the need for and the probability of future serious consideration of the income tax as a source of Governmental revenue are quoted from the report:

"Our income tax law is decidedly complex in spite of many efforts in the direction of simplification. The complexity comes about in a great measure by a very proper solicitude on the part of Congress in the direction of equity." [20]

"A desirable and comprehensive plan for making our taxing system as a whole more equitable, more productive, and less complicated, can only be arrived at by sincere cooperation between our Government officials, our legislators, our economists and the public." [21]

". . . income taxes on individuals constitute one of our most satisfactory forms of taxation. With a proper scale of graduated rates, they stand in the fore of all of our taxes based on the principle of ability to pay. They are open to two serious defects; first, the revenue derived is subject to severe fluctuation between times of depression and times of prosperity; second, when designed with a strict view to equity, the income tax statutes are cumbersome, complicated and a source of litigation and controversy. These taxes deserve study to minimize the defects noted.

". . . the same general remarks made in connection with income taxes on individuals hold in the case of income taxes on corporations. The corporation income tax has, however, one added defect, namely, no satisfactory system of applying the graduated rate principle to the net income of corporations has, as yet, been devised. This problem is difficult but deserves consideration." [22]

And under "Questions which should be discussed and solved," the following is quoted:

"A review of our tax system as a whole suggests at once many issues which should be discussed. As stated before, we shall not discuss these issues here, but shall merely mention those which would seem to merit attention. For instance, the following questions may well be considered:

"First, which taxes are most adaptable for the use of the Federal government and which taxes are most adaptable for the use of the State governments?

"Second, what taxes may be properly imposed by both State and Federal Governments without serious objection from the standpoint of equity?

"Third, what means should be adopted to set forth model tax system for the whole country?

"Fourth, what means can be adopted to bring into practical operation a model system of taxation?"[23]

Public hearings are being held February 3, 1933 "for the purpose of obtaining the views of public officials, legislators, economists, and the interested public on methods and means of improving our tax system as a whole."

It is obvious from the above quotations from the report which already has depended to a large extent upon income statistics for certain of the facts brought to light, that as this study progresses much emphasis will be placed upon the data tabulated from income tax returns and Federal estate tax returns in finding a solution to the problem of building a model tax system, and such statistics will serve an ever increasing need in helping Congress and the state legislatures in adjusting that tax system so as to maintain the income tax in its proper relationship to all other forms of taxes and to the ever changing economic conditions of the people.

Outline of the Major Administrative Organizations of the Statistical Section and Principal Functions of each Administrative Unit

Office of Chief of Section

Directs the preparation of the annually published report, "Statistics of Income," containing fiscal and other economic data compiled from income and estate tax returns, and conducts special income and tax studies for legislative and administrative purposes.

Coding and Transcribing Subsection

Classifies income and estate tax returns for statistical segregation by code designations and prepares card transcripts of the data reported on certain income and estate tax returns selected on the basis of economic importance.

Card Punch, Verifying and Tabulation Subsection

Records on tabulation cards, by means of card punch machines, data reported on income and estate tax returns; also, certain administrative records of tax deficiencies and overassessments. Verifies the punched data to insure accuracy. Tabulates the punched cards by geographic and economic groups, and maintains current file of tabulation cards.

Research and Compilation Subsection

Prepares compilations from the data tabulated from the punched cards for publication in "Statistics of Income" and for other forms of presentation. Selects for special studies, data shown on income and estate tax returns. Prepares comparative data on incomes, deductions and tax to aid in the investigation and audit of returns of taxpayers having inadequate bookkeeping records. Comptometerizes tabulations and compilations. Maintains file of card transcripts of certain income tax returns of individuals beginning with 1914 and corporations with 1917 for historical income and tax studies.

NOTES AND REFERENCES

- [1] Excerpt from address of Edward White before the Monday Lunch Club of Washington, D.C., January 31, 1921.
- [2] Excerpt from address of Edward White before the American Association of University Instructors in Accounting, *The Accounting Review*, Volume III, Number 1, pp. 14-17.
- [3] Section 22(a), Revenue Act of 1928.
- [4] Section 23(a), Revenue Act of 1928.
- [5] Section 21, Revenue Act of 1928.
- [6] Shultz, W.J. "American Public Finance and Taxation," p. 540.
- [7] David Burnet, "United States Daily," February 26, 1931.
- [8] Moody's Public Utility Manual, 1932, p. xxii.
- [9] W.L. Crum, "Corporate Earning Power," p. xi.
- [10] *The Journal of Business* of the University of Chicago, Oct. 1929, pp. 345-346.
- [11] "Sales Opportunities," Curtis Publishing Company, 1932, 1933, p. 3.
- [12] "Selling Your Market," The Quality Group, p. 8.
- [13] "Domestic Commerce," U.S. Department of Commerce, January 10, 1933, p. 9.
- [14] Arthur Richmond Marsh, "The Economic World," June 20, 1925, p. 867.
- [15] "Income Forecasting by the Use of Statistics of In-

come Data," by J. Franklin Ebersole, Susan S. Burr, George M. Peterson, in *Review of Economic Statistics*, November 1929, p. 171; February 1930, p. 39; and May 1930, p. 59.

- [16] "National Wealth and Income," a report by the Federal Trade Commission, 1926.
- [17] Report of the Tax Commission of North Carolina, p. 442.
- [18] Letter dated December 29, 1932, to Hon. James W. Collier, Chairman, Committee on Ways and Means,

House of Representatives, from Hon. Fred M. Vinson, Chairman, Subcommittee on Double Taxation.

- [19] "Double Taxation," Preliminary Report of Subcommittee of the Committee on Ways and Means, p. vii.
- [20] *Ibid*, p. 76.
- [21] *Ibid*, p. 238
- [22] *Ibid*, pp. 239-240.
- [23] *Ibid*, pp. 241-242.

Statistics of Income: 75 Years of Service

EXHIBIT B.—CORPORATION STATISTICS BRANCH
PROJECTS AND PRIMARY CONTACTS

Project	Primary Contacts Area Code (202)	Frequency and Program Content
Corporation Income Tax Returns: 1985 Program 1986 Program 1987 Program	Tim Wheeler Victor Rehula David Jordan (376-0102)	The basic SOI program data are produced annually and covers complete income statement, balance sheet, tax and tax credits, distributions to stockholders, and detail from supporting schedules.
Corporation Tax Adjustment Study (CORTAX)	Nick Greenia (376-0124)	This is a periodic study which examines the effect of corporate tax adjustment transactions (primarily those due to carrybacks of unused net operating losses and tax credits) on the tax liabilities of previous tax years. The first such effort is approaching completion for Tax Years 1978-1983, but because of the dynamic nature of the process and the length of statutory time periods affecting adjustment transactions, subsequent studies are expected to reveal more changes to these as well as future years.
Partnership Returns of Income	Alan Zempel (376-0761)	The basic SOI program data are produced annually and cover income statement, balance sheet, and detail from supporting schedules.
Secretary's Percentage Study	Joe Middough (376-0761)	This study is conducted annually and includes data for computation of the percentage used in determining income tax liability of foreign life insurance companies with operations in the United States.
Employment Tax Return Studies: Unincorporated Businesses Corporations	Charles Day (376-0761)	This is a periodic study based on availability of outside funding and includes the addition of payroll and employment data to SOI files of corporations, partnerships and sole proprietorships based on linkages with employment tax returns, Forms 941 and 943. Last completed study was for Tax Year 1979.
Partnership Schedule K/K-1 Study	Tom Petska (376-0761)	This is a periodic study based on the availability of outside funding. It is an examination of the recognized "gap" between income reported by the partnership and income reported by the partner through a linkage of Schedules K and K-1 (used to report partnership distributions) to the Form 1065 partnership return. Study of 1983 is completed.
Tax Shelter Registration Study	Tom Petska (376-0761)	This is a planned study which will include the development of a file of Forms 8264, Application for Registration of a Tax Shelter, which will eventually be matched to partnership return data for analysis of "tax shelter" characteristics.
Statistical Subscription Series:		Annual detailed industry data and other information for sale.
Corporation Source Book	Sandy Byberg (376-0102)	
Partnership Source Book	Gail Moglen (376-0761)	

**EXHIBIT B.—FOREIGN STATISTICS BRANCH (DOMESTIC STUDIES)
PROJECTS AND PRIMARY CONTACTS**

Project	Primary Contacts Area Code (202)	Frequency and Program Content
Private Foundations	Peggy Riley Jan Grimes (376-0199)	This study is conducted annually and includes information on net worth and various data from the balance sheet and income statement. A compendium of previously published SOI articles on tax-exempt organizations will be published in the fall of 1988. Other research papers and previously unpublished articles and tables will also be included.
Nonprofit Charitable Organizations	Cecelia Hilgert Jan Grimes (376-0199)	This study is conducted annually and includes information on net worth and various data from the balance sheet and income statement for only those organizations classified as tax exempt under subsection 501(c)(3) of the Internal Revenue Code. The groups covered are religious, educational, scientific, and literary (excluding private foundations) organizations. However, for Tax Year 1988, the study will be expanded to include all section 501(c) organizations.
Charitable and Split-Interest Trusts	Mike Alexander (376-0199)	This is a periodic study planned for every 3 years. The next study is planned for Tax Year 1989 and will include primarily balance sheet and income statement information.
Exempt Organizations Business Income Tax Returns	Ed Chung (376-0199)	This study is to be conducted annually. The first study is for Tax Year 1987 to be published in 1989 and will include tabulations of unrelated business income and deductions. The data file will also be linked with the data files of tax-exempt organizations.
Private Foundation Grant Administrative Expenses Study	Ed Chung (376-0199)	This is a one-time study mandated by Congress in the Tax Reform Act of 1984 to assess the impact of current rules governing the treatment of grant administrative expenses.
Farmers' Cooperatives	John Kozielec (376-0199)	This is a periodic study to be done every 3 years. The next Farmers' Cooperative Study is planned for 1989. The last complete study was for Tax Year 1977. Results from this study will be published in the Exempt Organization Compendium in the fall of 1988.
Estate Tax Returns	Marvin Schwartz Barry Johnson (376-0199)	This study is conducted annually and includes information on gross estate and its composition, deductions, and tax. Also included is information on the age, sex, and marital status of the decedents. Basic estate tax return data by year in which returns are filed are produced every year. Other statistics are available on a year-of-death basis (approximately every 3 years).
Personal Wealth Study	Marvin Schwartz Janet McCubbin (376-0199)	This study is periodic, providing estimates of personal wealth that are generated based on estate tax return data using the "estate multiplier" technique, in conjunction with both the filing year and year-of-death estate data bases. The most recent data available are based on returns filed in 1983. A compendium of previously-published SOI articles on wealth and wealth-related studies will be published in the fall of 1989. Other research papers and previously unpublished articles and tables will also be included.

Statistics of Income: 75 Years of Service

EXHIBIT B.—FOREIGN STATISTICS BRANCH (DOMESTIC STUDIES) (Continued)
PROJECTS AND PRIMARY CONTACTS

Project	Primary Contacts Area Code (202)	Frequency and Program Content
Estate Collation Study	Marvin Schwartz Janet McCubbin (376-0199)	This study is periodic. It links estate data for decedents and beneficiaries. Income information for beneficiaries is available both for years preceding and following the decedent's death. Information on gift tax returns is available for the last 2 years of the decedent's life. The most recent study is based on decedents who died in 1982. The next study is planned for decedents who died in 1989.
Intergenerational Wealth Study	Marvin Schwartz Janet McCubbin (376-0199)	This is a one-time study which involves estate returns filed since the inception of the estate tax (1916), and focuses on the changes in the concentration of wealth and the intergenerational transfer of wealth, as well as on the history of the estate tax system. The asset composition, available demographic information, and an analysis of beneficiaries of the estates will be emphasized.
Fiduciary Income Tax Returns	John Kozielec (376-0199)	Conducted periodically, the next full-scale fiduciary study will be done in conjunction with the 1989 estate study and will cover data on income, deductions, and taxes for 1989. The last complete study was for Tax Year 1982.
Gift Tax Returns	John Kozielec (376-0199)	This study is periodic, covering data on the types of gifts, deductions, and taxes. The last complete study was for 1965. The next study will be done in conjunction with the 1989 estate study.
Crude Oil Windfall Profit Tax Study	Rashida Belal Ed Chung (376-0199)	This study is produced annually and provides information on the number of barrels of oil, removal value, adjusted base value, and tax by type and oil "tier" for the first purchaser of the oil. Limited data on total windfall profit before and after adjustments are published quarterly. More detailed information is published annually.
Environmental Excise Tax (Superfund) Study	Rashida Belal (376-0199)	The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) authorized the collection of environmental taxes, a type of excise tax. This study, published annually, is the only source of data that provides detailed tabulations by type of chemical. CERCLA has been replaced by the Superfund Amendments and Reauthorization Act of 1986 (SARA).
Tax-Exempt Private Activity Bonds Study	Ed Chung (376-0199)	This study is produced annually and provides information on industrial development bonds, student loan bonds and qualified mortgage bonds by industry, type of property financed, size of face amount, and State. Starting in 1987, obtaining information on public purpose bonds will be obtained.

**EXHIBIT B.—FOREIGN STATISTICS BRANCH (FOREIGN STUDIES)
PROJECTS AND PRIMARY CONTACTS**

Project	Primary Contacts, Area Code (202)	Frequency and Program Content
Corporation Foreign Tax Credit Study: 1984 Program 1986 Program	Vergie Mose Bill States (376-0177)	This is a periodic study planned for every 2 years and provides data on foreign income and taxes paid, and foreign tax credit shown on corporation income tax returns. Data are classified by industry and country.
Foreign Corporations Study: 1984 Program 1986 Program	Jeff Hartzok Maggie Lewis (376-0177)	This is a periodic study planned for every 2 years and provides data on activities of corporations which are controlled by U.S. corporations. Data are classified by industry and country.
U.S. Possessions Corporations Study	Mary Barlow (376-0177)	This is a periodic study planned for every 2 years and provides data on income statement, balance sheet, tax and possessions tax credit data for "qualifying" U.S. possessions corporations. (Most of these corporations are located in Puerto Rico.)
International Boycott Participation Study	Art Gianelos (376-0177)	This study is conducted annually and provides data on business operations of U.S. persons in boycotting countries, as well as the requests and agreements to participate in, or cooperate with, international boycotts not sanctioned by the U.S. Government.
Nonresident Alien Income and Tax Withheld Study	Maggie Lewis (376-0177)	This study is conducted annually and provides data on U.S. income paid to nonresident aliens and the amount of tax withheld for the U.S. Government.
Interest Charge Domestic International Sales Corporations (IC-DISC) Returns: 1985 Program 1986 Program	Bill States Chris Carson (376-0177)	These corporations replaced the Domestic International Sales Corporation, or DISC, as of January 1, 1985. Balance sheet, income statement, export-related data will be tabulated annually.
Foreign Sales Corporations (FSC) Returns: 1985 Program 1986 Program	Chris Carson (376-0177)	These corporations replaced the Domestic International Sales Corporation, or DISC, as of January 1, 1985. Balance sheet, income statement, export-related data will be tabulated annually.
Foreign Trusts Study	Jim Hobbs (376-0177)	This is a periodic study conducted every 4 years which provides data on foreign trusts that have U.S. persons as grantors, transferors, or beneficiaries. Data include country where trust was created, value of transfer to the trusts, and when trust was created.
Nonresident Alien Estates Study	DeWitt Long (376-0177)	This is a periodic study planned for every 4 years which provides data on estates of nonresident aliens who have more than \$60,000 of assets in the United States. The estates are subject to U.S. estate taxation on the U.S. property.
Sales of U.S. Real Property Interests by Foreign Persons Study	Chris Carson (376-0177)	This study is conducted annually and provides data on transfers of U.S. real property interests, when these interests are acquired from foreign persons. Data will include amount realized on the transfer, amount of U.S. tax withheld, and country of foreign person.

Statistics of Income: 75 Years of Service

EXHIBIT B.—INDIVIDUAL STATISTICS BRANCH
PROJECTS AND PRIMARY CONTACTS

Project	Primary Contacts Area Code (202)	Frequency and Program Content
Individual Income Tax Returns: 1986 Program 1987 Program	Ray Wolfe Charles Hicks (376-0083)	Basic SOI program data are produced annually and cover income, deductions, credits, and taxes reported on individual income tax returns and associated schedules.
Sole Proprietorships: 1986 Program 1987 Program	Ray Wolfe (376-0083)	Basic SOI program data are produced annually and cover the same data provided in the Individual SOI program plus detailed data on business receipts, deductions, and net income reported by sole proprietors on Schedule C. Similar data from Schedule F (for farmers) are available every 5 years.
Americans Living Aboard Studies	Dan Holik (376-0083)	This is a periodic study to be done every 4 years. The basic SOI program covers the same data provided in the Individual SOI program. Includes foreign income and taxes paid, and foreign credit shown on individual tax returns. Data are classified by adjusted gross (AGI) and country.
Sales of Capital Assets Studies 1985 Program 1985-89 Panel Study	Dan Holik John Labate (376-0083)	<p>This is a periodic study to be done every 4 years. The basic SOI program covers the same data provided in the Individual SOI program plus detailed data focused on the sales of capital assets reported on Schedule D, plus sales of residences, sales of personal or business depreciable property, and the computation of installment sale income reported on other return schedules.</p> <p>The panel study provides the same data on capital asset transactions for a subsample of the returns in the sales of capital assets basic study; however, data for these taxpayers are obtained over a 5-year period.</p>
Taxpayer Usage Study	Michael Weber (376-0081)	The basic SOI program data are produced annually and provide frequencies of specific line entries made by taxpayers, the use of various return schedules and associated forms, as well as general characteristics of the individual taxpayer population. Weekly reports are produced during the primary filing season (January through April).
Tax Model	Michael Strudler (376-0081)	Microdata magnetic tape files are produced annually containing detailed information obtained from the Individual SOI program with identifiable taxpayer information omitted to make the file available for public dissemination. In addition to microdata files, specific tabulations are produced on a reimbursable basis.
Small-Area Data	Bob O'Keefe Bobby Clark (376-0104)	This is a periodic study based on availability of outside funding. It includes the development of a program to provide selected tax return information obtained from the IRS Master File system at the county level. In addition, the program provides migration flow data at the county and State levels.

EXHIBIT B.—INDIVIDUAL STATISTICS BRANCH (Continued)
PROJECTS AND PRIMARY CONTACTS

Project	Primary Contacts Area Code (202)	Frequency and Program Content
Sole Proprietorship Historical Source Book	Dodie Riley (376-0104)	A tape file of basic SOI program data is produced annually and covers the same data provided in the Sole Proprietorship SOI program, including amount of business receipts, depreciation deduction, taxes paid deduction, interest paid deduction, payroll, and net income (less deficit) since 1957, by year and by industry. A printed copy is published every 5 years.
Occupation Studies	Bobby Clark (376-0104)	This is a periodic study based on availability of outside funding. It is a series of studies designed to classify individual income tax returns by occupation and to develop a dictionary of occupation titles that can be used to enhance the economic data of many other studies.
W-2 Study	Barry Windheim (376-0104)	This is a periodic study done every 2 years based on data from matched Forms W-2 and tax returns. It shows separate data on the salaries and wages of primary and secondary taxpayers filing joint returns. For Tax Year 1979, taxpayers are further classified by sex, whereas the study for 1983 classified taxpayers by age.

Statistics of Income Studies of Individual Income and Taxes

By Michael J. Coleman*

This is the third in a series of articles on broad areas of the Statistics of Income (SOI) program [1]. Since there has been an individual income tax return SOI program almost since the inception of the modern income tax, it is appropriate here to review this program in the context of the evolution of the income tax. In this context, examples are provided of statistical data trends which reflect the response of the taxpaying public over the years to changes in the tax law, from 1913 to the landmark tax reform legislation of 1986.

The organizational focus and thread of continuity of this article is the regular annual SOI individual income tax return program which is presented first and which receives the greatest emphasis. This is followed by brief discussions of related programs and special studies that are by-products of the regular program, including microdata public-use tax models, the Taxpayer Usage Study (TPUS), and the Sales of Capital Assets Studies [2]. Discussions of each address historical developments, definitions, and the data themselves; currently available information and services; and some future plans. The concluding section briefly introduces a number of the lesser individual income tax return statistical studies.

ANNUAL SOI PROGRAM

Income and tax statistics from individual income tax returns have been published annually by the Internal Revenue Service (IRS) beginning with the report for Tax Year 1916 (which also included some data for 1913-1915). Authority for the production and publication of SOI was initially provided for by the Revenue Act of 1916 and has been renewed since then through successive amendments to the tax laws [3]. Especially in recent years, the content of the program has been largely determined by the Office of Tax Analysis in the Office of the Secretary of the Treasury, for use in tax policy research and in estimating future tax revenues. The needs of other researchers are often satisfied on a cost-reimbursable basis.

Scope of the Program

Since they were initially published, the scope of the basic SOI programs and reports has varied considerably in terms of the detail provided in the tables and the classifications of data presented. As can be seen from Exhibit 1, the SOI report for Tax Year 1916 summarized all individual income

tax information in just seven tables. Areas addressed were income by source, occupation, tax by type, sex of taxpayer, and marital status (then called "conjugal condition"), with classifications by size of statutory "net income" and by State [4].

During the early years of the SOI reports, the individual income tax tabulations continued to remain few in number and were relatively simple. Data presented were controlled largely by the relatively small number of data items available for the statistics (the tax law and the resultant tax forms were relatively simple by today's standards) and by lack of modern data processing technology and equipment. Until the late 1920's, the individual income statistics particularly emphasized the tax, the size of income producing the tax, and the State where the returns were filed. In fact, a major portion of each report was devoted to State data. Some 30 years later, the SOI report for 1946 had increased to fourteen basic tables, largely through the introduction of crosstabulations. These, too, were relatively uncomplicated compared to today. New data added along the way covered such items as number of exemptions, tax payments, more detailed types of income, and types of itemized deductions. All of these increases reflected the growing complexity of the tax law and of the resultant tax forms. New classifiers, including size of specific types of income, were incrementally added over these years.

In large part, these changes reflected changes in SOI users. Besides continuing to meet the needs of Treasury tax policymakers and revenue estimators, SOI attempted to meet the growing needs of numerous Congressional, Federal, State and private economic research agencies. As a result, SOI gradually developed into a document containing basic economic data, in addition to the traditional more tax-oriented data. The latter continued to be necessary, especially as the tax code grew in scope and complexity. As this occurred, the tax return itself began to contain more desirable data for economic and statistical analyses.

Computer processing introduced in the mid-1950's enabled more sophisticated tables to be produced and, by 1979, the tables included in SOI had grown in number and complexity in order to meet customer needs. Added detail, for instance, was presented on the number of returns filed, for sources of income, on marital status, and on nontaxable returns. There was more information for types of dependents, types of tax computation, and for the several tax credits. New classifiers included taxpayers age 65 and over and marginal tax rates, and alternative definitions of total

*Prepared with significant contributions from Kenneth Rice, David Paris, and Brenda Harrison of the Individual Statistics Branch.

income were introduced to facilitate analysis [5]. However, data classified by State disappeared after Tax Year 1982 because of the need to reduce the size of the SOI sample of returns used for the statistics [6]. Nevertheless, by Tax Year 1985, there were 30 basic and special tables and information presented on 218 items from the tax returns [7].

Notwithstanding the changes over time in the character and content of the SOI reports, seven data items have nearly always been published. They include: number of returns, each major source of income, a "gross" income, a total of deductions, a net or taxable income, personal exemptions, and the Federal income tax liability. Exhibit 2 shows some of these data yearly from 1913, including preliminary data for Tax Year 1986 [8].

As Exhibit 2 shows, salaries and wages have always been the largest single source of income, especially since the extension of the income tax to most of the U.S. population in the early 1940's. Business profits, dividends, and taxable interest have comprised the other three major income sources. Trends over the years for each of these sources as well as for the total or "gross" amount used for the statistics are affected not only by economic factors, but by changes in the tax law and in the tax forms, and also by decisions made when processing the data. All of these factors can complicate time series analyses.

Considering only the years for which "adjusted gross income" (AGI) was the total or "gross" amount used for SOI, i.e., for tax years after 1943, salaries and wages reached a record high of 84.5 percent in 1982. The sum of the four principal income sources reached a record high (98.5 percent) and a record low (93.8 percent), both within the 5-year period ending with 1986. The latter reflected the substantial increase in yet another source of income, capital gains, in 1986 [9].

Over this more than 40-year period, the proportion of AGI attributable to dividends gradually declined, although dividends never exceeded 3.4 percent of the total. In contrast, taxable interest income gradually increased. Dollar-wise, interest surpassed dividends for the first time in 1967, so that by 1986 interest income was 2.6 times larger than dividend income. While taxable interest was less than 1 percent of AGI until the mid-1950's, it increased thereafter to around 8 percent for the recent years of high interest rates. For the fourth major income source, business profits (from sole proprietorships, including farms; partnerships; and, since the mid-1960's, "S" Corporations), the data show a long steady decline from over 17 percent after the end of World War II to around 3 percent for the first half of the 1980's.

In general, increased demands for additional revenues to finance World War I, World War II, and the Korean conflict

caused rapid and numerous changes in the tax law. The most far-reaching revisions occurred in the early 1940's; however, prior to (and long before) 1940, many other important tax law changes occurred. Among them were the introduction of the credit for dependents and the deduction for charitable contributions (1917) and adoption of preferential tax rates on long-term capital gains and introduction of a gross income filing requirement (1921). In 1939, for the first time, all the revenue laws still in effect up to that time were consolidated into a single statute which became known as the Internal Revenue Code of 1939.

A brief summary of major tax law changes affecting individual income tax returns beginning in 1943, is provided in Figure A. In the early 1940's, revisions to the law occurred when the individual income tax base was broadened to cover most of the working population. Then, during the many years for which the Internal Revenue Code of 1954 was in effect, there were numerous tax law changes affecting individuals which, in addition to having revenue objectives, reflected a concern with social objectives and economic incentives as well.

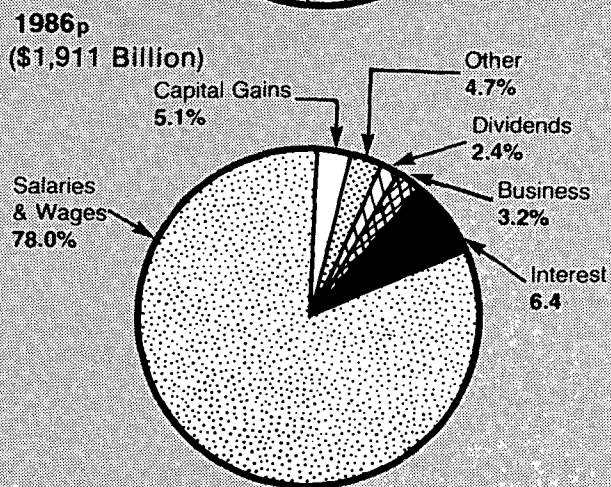
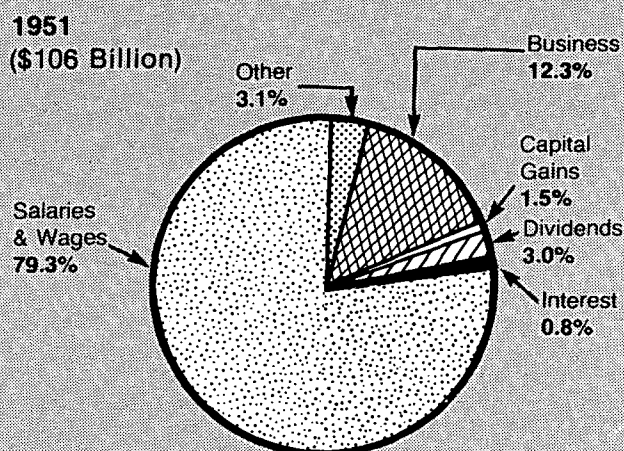
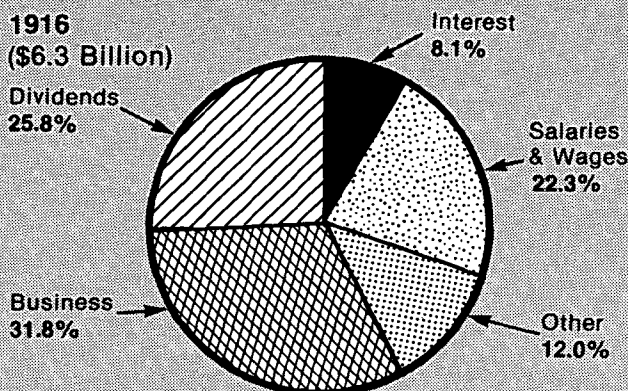
The first half of the decade of the 1980's has witnessed a continuation of this trend. A series of tax cuts was introduced by the Economic Recovery Tax Act of 1981, the overall thrust of which was to lessen the individual income tax burden. Still more dramatic tax law changes, with similar objectives, have been introduced by the Tax Reform Act of 1986 (encompassed in the new Internal Revenue Code of 1986). The impact of this Act will be reflected in SOI programs starting with Tax Year 1986.

Population Coverage of Individual Income Tax Returns

Figure B graphically displays the growth in the number of returns filed for 1913 through 1986. The number of returns filed prior to 1940 ranged from approximately 300,000 to 7,000,000. However, with the introduction of lower income filing requirements for 1940, the number of returns filed doubled to more than 14.7 million. It took 33 years, from 1913 to 1946, to reach 50 million. Some 40 years later, for 1986, the number of returns filed had increased to 103.3 million. It is projected that the number of individual filers for 1987 will be about 104 million [10].

The percentage of the total U.S. population represented on individual income tax returns is illustrated in Figure C. This percentage increased quite dramatically over time. For instance, for 1918, approximately 10 percent of the population was represented by a taxpayer or a dependent on an individual income tax return. The percentage remained relatively low until the expansion in the coverage of individuals having to file tax returns that occurred in the early 1940's. By 1946, more than 87 percent of the population

Figure A
Major Sources of Individual Income, Tax Years 1916, 1951 and 1986



NOTE: Year-to-year comparability is affected by tax law changes

1986 Data are preliminary

lation, in part, reflecting tax law changes designed to exempt certain low-income recipients from income taxation. It is because of this widespread representation of the U.S. population on individual tax returns that the idea of using tax records has surfaced as a possible viable alternative to the traditional ways of conducting the decennial population census [11].

Future Plans

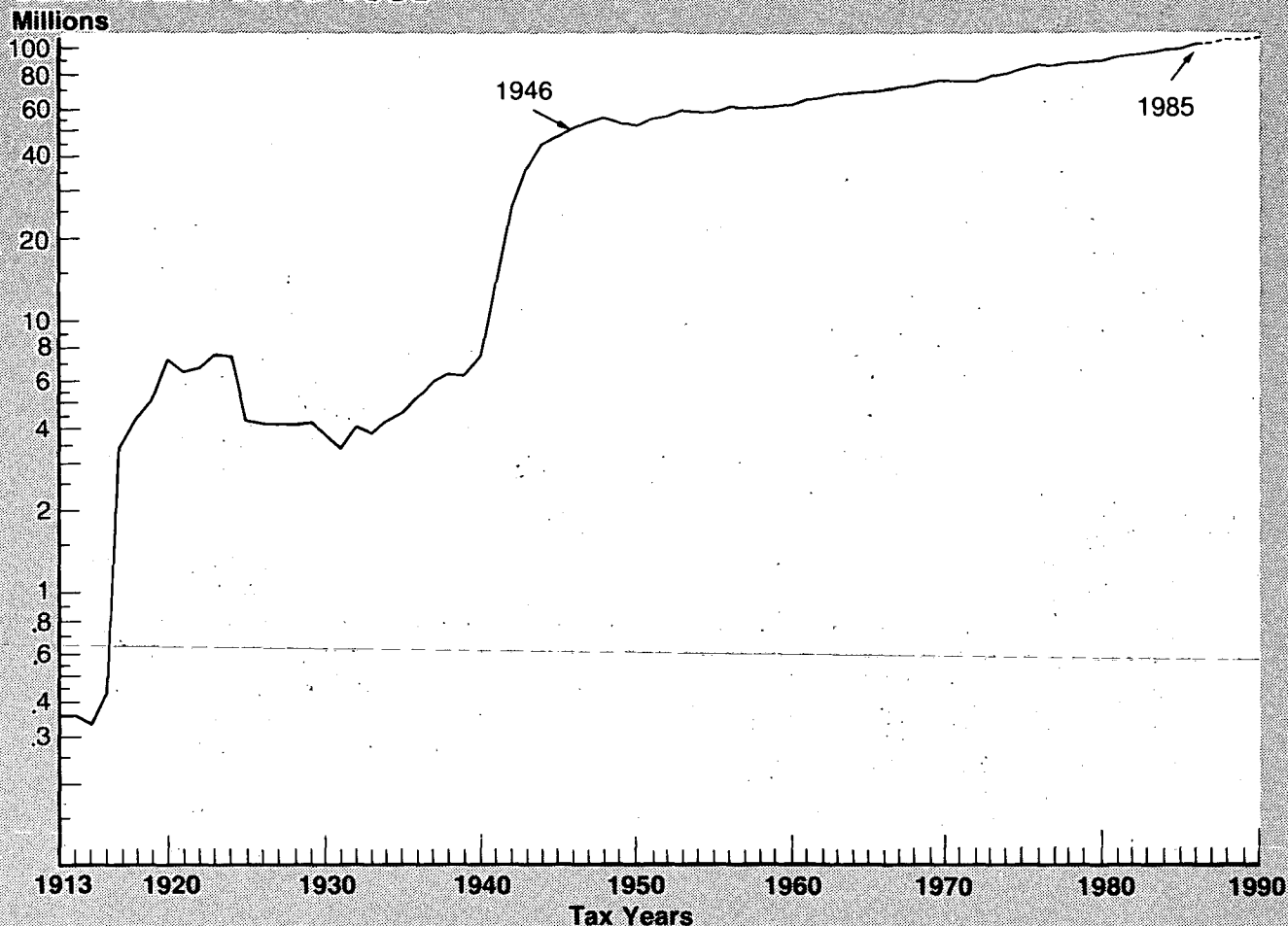
The SOI individual income tax return program, almost from the beginning, has been based on samples of returns. Samples and sampling have been modified over the years to reflect changes in design, selection procedures, and resources, as well as changing program objectives. In recent years, the sample size has alternated between 80,000 returns for even-numbered tax years and 120,000 for odd-numbered years.

Current plans are to further redesign the sample. As part of the redesign, the present system of alternating the sample size between odd- and even-numbered tax years will be dropped. As a result, the future sample size will grow from a base of approximately 120,000 returns. The major focus of the redesign, however, is to provide for the inclusion in the sample of all returns filed by family members and of a panel of returns representing the same taxpayers from year to year. The impetus for introducing the family concept is that for 1987, for the first time, social security numbers (SSN's) for dependents age 5 or older will be required on tax returns. Plans are to "construct" families, as part of the SOI program, by linking returns from all family members who file, whether jointly or separately, and then combining and categorizing all of their income [12]. The planning for this sample redesign is already underway, and implementation will be phased in over 3 years, beginning with Tax Year 1988.

The present kinds of SOI data, based on the type of probability sample now used, are expected to continue. In addition, special tabulations may be produced from the panel. This longitudinal feature of the SOI sample may gradually increase the total sample size over time as panel members change income and other characteristics and as more returns meet the criteria for inclusion in the panel, so that eventually most tabulations will be based on panel returns. An advantage of this longitudinal design is that it will reduce the sampling variability of year-to-year estimates of change. It will also improve the estimates derived from subsamples of the SOI sample that focus on special groups of taxpayers, e.g., those reporting sales of capital assets, or those with income earned abroad or with a foreign tax credit.

was covered. In the 1950's, the percentage grew still further, then seemed to stabilize at about the same level as Tax Year 1986—at approximately 95 percent of the popu-

Figure B

**Growth in Number of Individual Income Tax Returns,
Tax Years 1913-1990**

1946 — The first year that the number of returns filed passed the 50 million level at over 52.8 million.

1985 — The first year that the number of returns filed passed the 100 million level at over 101.2 million.

1987-1990 — Projected number of returns

NOTE: For 1913-1927, includes individual income tax returns with income (loss returns are excluded) and return of estates and trusts with taxable income; for 1928-1937, includes all individual income tax returns and estates and trusts with taxable income. Starting 1938, represents all individual income tax returns; 1986 is preliminary.

The *Statistics of Income—1985, Individual Income Tax Returns* report includes tables based on a new total income concept (in addition to the traditional AGI, the tax return concept), which includes all income reported on the tax return, before subtraction of adjustments, exemptions, or deductions (except for expenses incurred in the process of earning the income) [13]. The components of total income are limited to items that are available for all Tax Years from 1979 through 1986, thus providing a basis for comparison that is relatively free of the effects of the tax law changes that occurred during this period. Of course, data on AGI will also be included. The SOI report for 1986 will include statistics based on this new measure and present a comparison in current and constant dollars as well.

Beginning with Tax Year 1987, a second new income definition will be introduced which will include all income

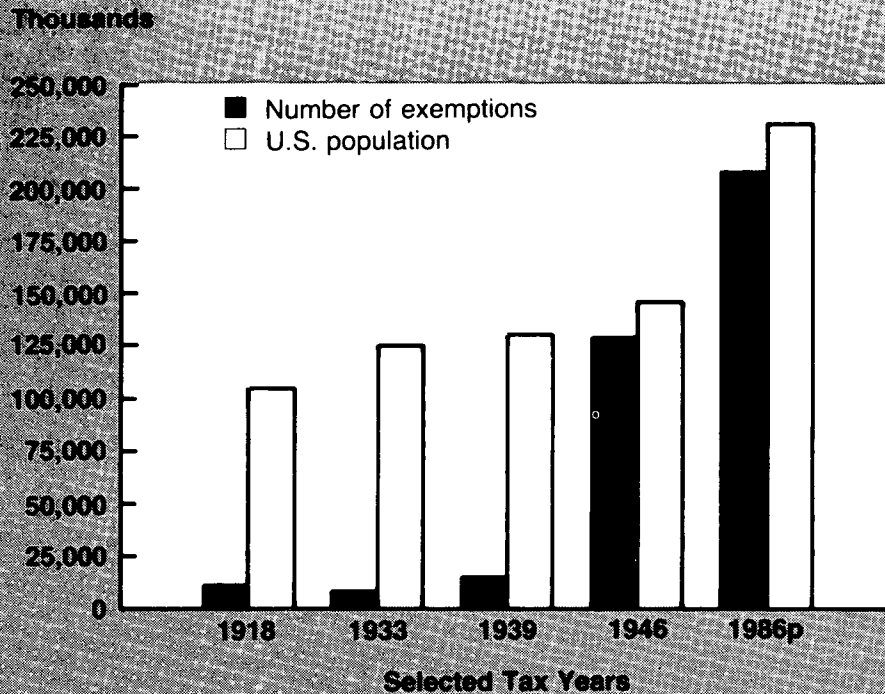
reported on the 1987 tax forms, whether taxed or not. This concept expands on the earlier effort and will cover all of the new income items brought in by the major tax legislation of the 1980's, namely social security benefits, unemployment compensation, and tax-exempt interest on State and local Government obligations. The Tax Year 1987 SOI report will include data based on each of the two new concepts, as well as on AGI.

TAX MODEL

The Tax Model is an abridged version of the individual SOI data file and is available on magnetic tape. For recent years, it contains all the records (except for any excluded to avoid disclosure of information about a particular taxpayer) contained in the SOI file, but includes a reduced number of

Figure C

Number of Exemptions (Other Than Age and Blindness) Claimed on Individual Tax Returns vs. U.S. Population, Selected Tax Years, 1913-1986



1918 — About 10% of the population covered by tax returns

1933 — Because of the Great Depression the percentage dropped to approximately 7%

1939 — Population covered by returns grows to slightly more than the 1918 level

1946 — Broadening of the tax base caused the percentage to increase dramatically to almost 87%

1986 — Approximately 95% of the population is now covered

P — Preliminary

items [14]. The 1985 Tax Model provides 40 statistical codes to facilitate classifications of the data and 160 data items for each record. These 160 items cover the basic data reported on the individual income tax return. In this abridged form, the entire Tax Model for a given tax year can be stored on disk, rather than on the multiple tape reels which are required for the entire SOI individual file.

The Brookings Institution was instrumental in developing the first Tax Model in the early 1960's. Since then, it has obtained a file for almost every year and has published numerous reports on tax-related issues, based in large part on research conducted using these files [15].

Currently, the Tax Model is produced in three forms to accommodate three classes of users:

- An "in-house" file used to meet requests for special tabulations;
- A State Tax Model File for State Tax Administrators; and
- A Public-Use Individual Tax Model File.

Each of these files is described below [16].

In-house File.—The In-house File is used to produce tabulations, generally, in the case of users outside the Department of Treasury, on a cost-reimbursable basis. This File was created to service the many special requests received annually. Because each tabulation is tailored to a particular user's needs, special computer programs are written to access the File for each distinct user request. In

1985 and 1986, there were a flurry of special requests from the Congress and the Office of the Tax Analysis for tabulations in connection with various aspects of the Tax Reform Act of 1986.

State Tax Model.—The second form of the Tax Model is the State Tax Model File. This File is a subset of the In-house Tax Model mentioned above, containing all sampled returns in that File from the requesting State. Because the File contains taxpayer identifying data such as SSN, it is made available for tax administration purposes only and can be requested only by State tax administration agencies. Any such request must first be cleared by an IRS disclosure official.

The State Tax Model File is distinct from the State extracts from the IRS Master File system which most State tax administration agencies receive under the Federal State Exchange Program [17]. These latter files do not contain the level of detail contained in the State Tax Model: 200 data items are present on the State Tax Model File, while only 125 are contained in the Master File system. Another difference in the files relates to usability. The tax return data contained in the State Tax Model have been subjected to extensive statistical editing and testing. In contrast, the editing and testing of data for tax administration purposes is more selective in its approach and objectives.

Since the Tax Reform Act of 1986, the Statistics of Income Division has received numerous requests for State data suitable for analyzing the revenue impact of various provisions of the Act. The State Tax Model has been especially useful for this purpose. As an example of some of the other uses made of the file by States, the State of Washington purchased 2 years of data to analyze whether or not to institute a State income tax; Texas also did the same thing with the 1984 State Tax Model. As another example, Virginia used the data to analyze making changes in its State tax code, including whether to use its tax system to fund state elections.

The State Tax Model File is designed with a view toward user convenience. It is contained on one computer tape; no files need to be merged. Moreover, it is a stratified sample.

Public-Use Tax Model.—The last form of the Tax Model is the Public-Use Tax Model File. This is a version of the In-house File modified to remove taxpayer identifiers and to otherwise protect the confidentiality of individual taxpayers included in the File. This is the version available to research organizations, universities, and others in the general public.

The Public-Use Tax Model has been purchased by relatively few organizations, approximately eight to ten users per year. However, it is the stature of these users and the work they have done with it, that has contributed to its

reputation. Frequent users have included The Brookings Institution, as mentioned previously; the Congressional Budget Office; the National Bureau of Economic Research; and the Survey Research Center of the University of Michigan.

Congress created the Congressional Budget Office (CBO) in 1974 to analyze and forecast Federal budgets as an alternative to those submitted by the Executive Branch. Over the years, CBO has used the Public-Use Tax Model as an important input to this process, especially in its projections of future income tax revenues due to tax reform [18].

The University of Michigan has used the Public-Use Tax Models for 1979 through 1984 to create an individual panel file. This panel consists of a random sample selected from an unstratified population of individual returns based on SSN ending digits. In lieu of the SSN's, coded numbers are provided by the Statistics of Income Division to enable panel returns to be associated from year to year. All returns with these same SSN endings are selected annually, and they are then imbedded in the Public-Use Tax Model. Originally, there were about 46,000 returns in the panel sample, but since 1983 this number has been reduced to about 20,000 for odd-numbered years (i.e., Tax Years 1983 and 1985) and 10,000 for even-numbered years (i.e., Tax Years 1984 and 1986).

Future Plans

In order to meet the continuing need for additional public use data, a new and larger file is now planned. This file, which will be produced every other year, consists of a sample of over 300,000 returns selected from the Master File system. (Returns selected for the regular SOI sample are included in this number.) The sample will include all data items from the Master File system that are ordinarily used for SOI. Most of the additional, manual, data editing and perfecting for statistical purposes will not apply to this increased sample. However, the data will be tested by computer for statistical use and adjustments made to the data when necessary.

This sample is large enough to support detailed estimates by State. As such, it will be the first time since Tax Year 1982 that reliable State data in sufficient detail will be available from an SOI sample. Previously, the regular SOI sample was designed to provide State estimates as part of the regular individual SOI program.

Current plans call for two methods of release. First, files for each State will be offered to State tax authorities on a cost-reimbursable basis in the same fashion as the State Tax Model. Second, special tabulations will be produced, also on a reimbursable basis. Moreover, plans call for exploring

the possibility of making certain data available on diskettes for use on personal computers.

TAXPAYER USAGE STUDY (TPUS)

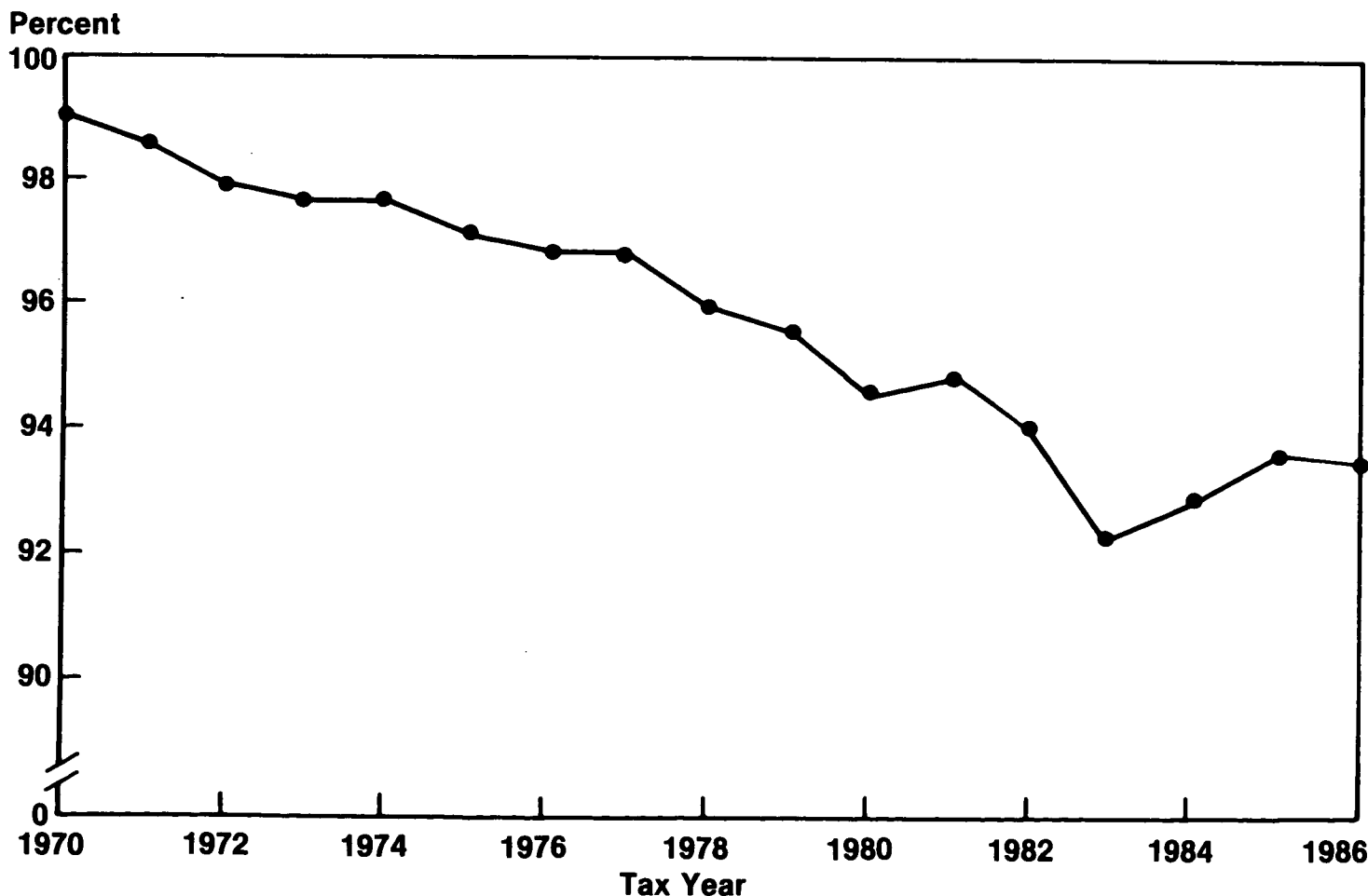
The Taxpayer Usage Study (TPUS) provides statistics on the use taxpayers make of the individual income tax return forms, 1040, 1040A, and 1040EZ, and associated schedules, as well as early information on selected general characteristics of the individual taxpayer population for a given year. This Study, which has been conducted annually since 1969, and previously from time-to-time (starting in the mid-1950's), provides a means of obtaining first indications of trends which would not otherwise be discernible until data became available later in the year from the larger, more complete, SOI samples.

The 1986 TPUS statistics were based on a continual daily random sampling of returns as they were received in the 10 IRS service center mailrooms between January 2 and May 1, 1987. A similar sampling method and similar time period coverage were used in previous TPUS studies since the 1960's, making possible year-to-year comparisons of TPUS data. Currently, TPUS data are published annually in the Summer issue of the *Statistics of Income Bulletin* in the year in which the returns are filed and processed at the service centers [19]. Largely for IRS internal use, weekly statistical summaries are also produced during the January-to-April period.

As is apparent from Figure D, the percentage of individual taxpayers filing returns by the April 15 deadline appears to have declined somewhat in recent years. This decline is

Figure D.

Percentage of Individual Income Tax Returns Filed as of April 15, Tax Years 1970 – 1986



mainly due to the growing number of taxpayers who are taking advantage of the automatic 4-month extension of time in which to file.

The number of data items included in TPUS has grown steadily since its inception, mostly in response to a growing need for early individual income tax return information by tax analysts and tax administrators to assess the effectiveness of new tax laws and tax forms.

TPUS serves its primary purpose of providing early indications of trends in SOI data fairly well. This is evidenced by Figure E which compares TPUS data to both preliminary and final SOI data for Tax Year 1985.

In contrast to TPUS, there are also preliminary SOI data which are based on the regular SOI sample. Returns for the preliminary statistics are sampled through the end of September and results are projected to represent the full year. These data are compiled by the end of the calendar year, months before the final estimates for a tax year become available. Historically, by the end of September approximately 95 percent of the returns to be included in the full SOI sample have been processed. Preliminary data are published in the Winter issue of the *Bulletin* [20].

Therefore, SOI provides data at three distinct stages during its processing cycle. In May, the first characteristics of the tax filing population are available from TPUS. Then, in the winter the more comprehensive preliminary estimates are released on income, deductions, tax, and tax credits by size of AGI. The complete SOI data, based on the full sample, are not generally available until approximately 5 months after release of the preliminary results.

Future Plans

The major focus of changes in the near future for the TPUS program involves the production of improved estimates for the earlier weeks in the filing period. For the Tax Year 1987 program, the sampling rate will be increased to bring in an additional early sample of 10,000 returns (the total sample size for 1986 was about 19,000) for the period

January 1 through March 15, 1988 (i.e., an additional 1,000 returns per IRS service center). This should increase the reliability of the early estimates during the period when they are needed most by IRS tax administrators.

The need for reliable early estimates is especially evident for Tax Year 1987, the first complete year under the 1986 Tax Reform Act, and there will be considerable interest in taxpayer reactions to the new forms, computations, and reporting requirements. For this reason, the TPUS weekly reports were expanded to include most of the new tax reform items, as well as to reflect how well taxpayers are complying with new requirements, such as the reporting of dependents' SSN's. Long-range plans involve a feasibility study on integrating TPUS with SOI processing. The object would be to create a data base in each service center which could produce SOI and TPUS-type data beginning early in each filing year.

SALES OF CAPITAL ASSETS STUDIES

Studies on sales of capital assets by individuals are conducted on a periodic basis. Heretofore, studies have focused on the sales transactions reported on Schedule D (the form used to compute capital gains and losses) and on the supplementary schedules for providing transaction data on sales of residences (Form 2119) and personal and business depreciable property (Form 4797), and for the computation of installment sales income (Form 6252).

For the more recent years' studies, the data were estimated from a subsample of the basic SOI sample. This subsample was subjected to intensive special editing to capture the detailed information required regarding the sales of capital assets transactions (which are often reported in a nonuniform manner) and to classify the assets by type.

The first comprehensive study on sales of capital assets was conducted using Tax Year 1936 tax returns [21]. This was followed by studies for 1959, 1962, 1973, 1977 and 1981 [22]. Figure F provides selected data for these years. The four most recent studies present detailed data on gross

Figure E.—Taxpayer Usage Study and Preliminary and Final Statistics of Income Estimates: Comparison of Number of Returns and Adjusted Gross Income, Tax Year 1985

[All figures are estimates based on samples—Number of returns are in thousands; amounts are in millions of dollars]

Size of adjusted gross income	Taxpayer Usage Study ¹		Preliminary SOI ²		Final SOI ³	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
All returns, total.....	95,307	\$2,105,393	101,738	\$2,321,887	101,660	2,305,952
Under \$10,000 ⁴	31,363	141,531	33,202	134,352	33,241	127,335
\$10,000 under \$30,000.....	39,779	731,483	41,983	780,515	41,984	780,798
\$30,000 under \$50,000.....	16,892	647,010	18,424	704,340	18,338	700,857
\$50,000 under \$100,000.....	6,276	397,192	6,907	441,598	6,892	441,135
\$100,000 or more.....	997	178,176	1,222	261,082	1,205	255,827

¹ Based on returns filed through April of the filing year.

² Based on estimates of returns filed through December of the filing year.

³ Includes returns with no adjusted gross income.

Figure F.—Number of Returns with Sales of Capital Assets, by Type of Asset or Transaction, Selected Tax Years, 1936–1981

[All figures are estimates based on samples]

Type of assets or transaction	1936	1959	1962	1973	1977	1981
All returns with sales of capital assets	465,612	4,901,694	5,807,945	9,049,598 ¹	9,857,489 ¹	9,709,727 ¹
Corporate stock.....	352,159 ²	1,749,240	2,121,961	2,561,659	2,760,804	3,426,181
U.S. Government obligations.....	(³)	41,393	93,236	30,193		134,196
State and local Government obligations.....	(³)	120,799	52,671	67,305	371,140	243,521
Other bonds, notes, and obligations.....	(³)	107,691	46,425	128,906		126,357
Commodities, including futures contracts.....	n.a.	17,550	28,624	73,052	101,414	197,285
Capital gain distributions.....	n.a.	1,030,615	1,609,255	2,983,492	2,555,012 ¹	2,299,503 ¹
Share of capital gain or loss from estates, trusts, partnerships, and S corporations.....	n.a.	427,805	417,507	735,105	766,679	1,132,546
Personal residences.....	n.a.	54,096	51,138	795,237	1,460,678	1,009,772
Prior-year installment sales proceeds.....	n.a.	307,315	426,101	860,694	572,433	1,421,364

¹ Includes capital gain distributions not required to be reported on Schedule D, the capital gain computation schedule. For 1971 and subsequent years, taxpayers reported distributions (after excluding the nontaxable portion) directly onto the Form 1040 individual income tax return if they had no other capital gains (or losses) to report.

² Data for "sales of corporate stock" also include sales of bonds.

n.a. Not available.

sales price, cost and expense of sale, and gross gain or loss for 25 or more different types of property or capital transactions. Other significant classifications included size of AGI (both before and after the capital gains exclusion), size of net gain or loss, and, for certain asset types, the length of time the asset was held prior to sale. In addition, the 1962 and 1973 statistics were classified by State.

As would be expected, corporate stock has been the asset type most frequently reported. It has also been the largest asset type in terms of the dollars of gains (less losses). Total gains (less losses) from the sales of capital assets has grown continually since 1973. However, as shown in Figure G, sales of business property actually accounted for a larger percentage of the dollar totals until 1981. For that year, sale of residences and the sale of corporate stock each accounted for one fourth of the total gross net gain.

Beginning with the 1973 study, efforts were made to develop a panel of taxpayers over a period of time so that longitudinal analyses of the patterns of reporting gains and losses could be made by Treasury policymakers. Using 1973 as the base year, a subsample of returns was designated for the 2 years prior to, and the 2 years subsequent to, 1973, to provide a 5-year panel. This approach was repeated in connection with the 1981 study which covered 1979–1983, but for a smaller number of taxpayers. The tax return records which constitute this panel contain all the income, deduction, and capital transaction detail for Tax Year 1981; but only income (including totals for capital gains and losses) and deduction data are available for 1979, 1980, 1982, and 1983. No SOI tabulations based on the panel data have been published and, currently, there are no plans to do so.

Future Plans

The Sales of Capital Assets Studies will be conducted on a 5-year cycle. The next study, already underway, will be based on Tax Year 1985 returns [25]. A subsample of the returns has been designated for the next panel. Plans are to

continue this panel for at least 5 years, thus offering users the capability of tracking these taxpayers through the first years under the Tax Reform Act of 1986.

OTHER SOI STUDIES

This section provides a summary of several of the smaller SOI studies which are based on data from the IRS Master File system. Since many of these studies are done on a cost-reimbursable basis, future plans to repeat them are indefinite.

W-2 Earnings Statement and Related Data

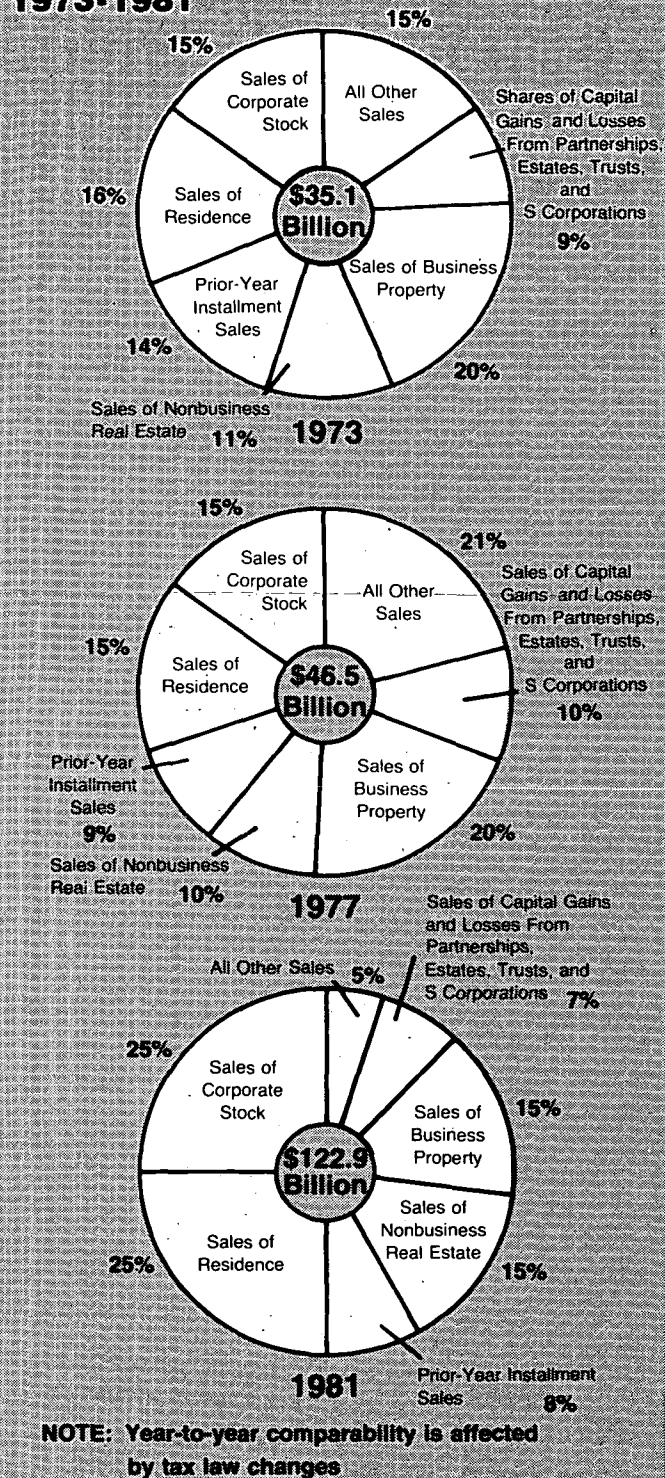
The Form W-2, Wage and Tax Statement (and the Form W-2P, Statement for Recipients of Annuities, Pensions, Retired Pay or IRA Payments) is filed by employers with the Social Security Administration (SSA) and by taxpayers with their individual income tax returns. The most recent statistical studies based on the Form W-2 were conducted for Tax Years 1969, 1974, 1979, and 1983. Other studies are now planned for 1985 and 1987. The purpose of the W-2 Earnings Statement Study is to provide the Office of Tax Analysis and others with:

- information on the income and taxation of two-earner (or two-pension) couples;
- the combined effect of the income tax and the social security (FICA) tax on individual taxpayers; and
- the impact of the tax system on various age groups of individual taxpayers (which first requires a linkage between the W-2 data file and the SSA year-of-birth file).

For the 1979 and 1983 studies, the W-2 Study file has been created by obtaining the Form W-2 and W-2P data from the IRS Master File system, as well as the taxpayers' birth dates from year-of-birth file for all taxpayers whose returns are included in the regular SOI sample. The project is now undertaken for odd-numbered tax years. Data are

Figure G

Gross Gains Less Losses From Sales of Capital Assets, by Type of Asset or Transaction, Selected Tax Years 1973-1981



Mortality Study

The Mortality Study is reimbursable, sponsored by the National Cancer Institute (NCI) to determine whether occupational data from individual income tax returns can be used to establish differential mortality rates for various occupations. Data used for the study include the occupation-coded data file of tax returns used for the regular 1979 SOI program (described below), the corresponding SOI file for sole proprietorships, the SSA year-of-birth file, and the National Death Index (from the National Center for Health Statistics) which verifies the fact of death and contains the death certificate number. Still to be added are cause of death, and the death certificate occupation/industry from death certificates obtained from State Governments.

The current project involves coding deaths in 1979-1984 of taxpayers who filed returns for Tax Year 1979. A major technical problem has been identifying "true" matches to the National Death Index. While an algorithm has been developed by the Statistics of Income Division to assist in distinguishing erroneous matches from true matches, it still may need testing against other algorithms developed by other researchers in the field.

Occupation Coding

For recent years, only one full-scale study of occupation coding has been attempted [24]. This feasibility study involved individual income tax returns (Forms 1040 and 1040A) included in the 1979 SOI sample. The methodology used was to transcribe the occupation title entered by the taxpayer on the tax return and to obtain the industry code from the SSA employer file for use in perfecting the taxpayer's entry. In order to match the tax returns with the employer file, the tax returns were first linked to the corresponding Forms W-2 (using the taxpayer's SSN). The employer identification number of the taxpayer's employer reported on the W-2 was then recorded and used to access the employer file. A computerized occupation-coding dictionary was then created which contained the "standard occupational classification" codes corresponding to the combinations of occupation titles and industry codes actually found on the sampled returns [25].

Efforts since 1985 have been directed mainly at perfecting the computerized dictionary and developing an imputation scheme for returns with missing occupation titles or industry codes. Using any revised methodology, plans call for creating a new file for 1979, and then comparing the results to data from the 1980 Census. A public use file of occupation-coded 1979 Form W-2 data (without the corresponding industry codes from SSA) will be made available, and occupation-coding projects accepted on a reimburs-

made available to the Office of Tax Analysis in the form of a microdata tape file, and to the general public in the form of tables published in the *Statistics of Income Bulletin* [23].

able basis for a number of possible sponsors, including the Department of Defense in connection with its studies of the career advancement of former members of the Armed Forces. In addition, occupation reported on tax returns for subsequent years will be reviewed for a small number of taxpayers included in the 1979 SOI sample to determine how often occupations change over time.

Plans for the future hinge on whether there is sufficient support within IRS or in the Office of Tax Analysis for a larger-scale project. If there is, an occupation question may be considered for the Form 1040EZ filed by certain single taxpayers with no dependents (presently occupational information is requested only on Forms 1040 and 1040A), so that an occupation code can be transcribed during administrative processing for a pre-determined sample of tax returns.

In addition, with the increasing number of returns filed electronically by private tax practitioners, a method will have to be found to capture the occupation entry on these returns. In addition, industry codes from the IRS Master File system may be used in lieu of those from SSA.

Taxpayer Migration Data

The taxpayer migration study is probably one of the largest panel studies ever undertaken, since it uses a "100 percent sample." It is not an IRS study, strictly speaking, but it does involve data files that are provided by the IRS to the Bureau of the Census, as allowed by the Internal Revenue Code for certain statistical purposes. Quite simply, what Census does is to match every IRS record for individual income tax returns filed from January through September of a given year to the previous year's record. The Census Bureau uses tax return records for, among other purposes, making intercensal population and income estimates and to provide county and minor civil division level data. (The latter was used until recently by the Department of the Treasury for the former Federal Revenue Sharing program). Tabulations are also produced for the Statistics of Income Division. These tabulations are available to the public on a reimbursable basis.

The matching of tax return records is in part an operational necessity. While the Census Bureau has elaborate programs to derive county and minor civil division data from street and city addresses, the system is not completely reliable in many geographic "border" areas. Furthermore, taxpayers frequently use a business or post office box address on their returns. A question that appeared on the tax return from time to time through 1980, about the exact governmental unit in which a taxpayer lived, was formerly used to help perfect the address. For more recent years, Census has had to code the records as best it can. To help

increase accuracy, Census now compares the street and city address on each tax return record to that used in the previous year. Only if the address has changed is an attempt made to generate a new geographic location code.

Among the series of data which Census creates from these files are "migration flow data"—matrices which show from where to where the population is shifting; and "county migration data," which show the "in's" and "out's" for each county, i.e., how many taxpayers entered and left the county within a given period of time, how many exemptions they claimed, and, for some years, the amount of income for in-migrants, out-migrants, and non-migrants.

Obviously, such statistics are of great interest to Government planners at the local level who want to know what is happening to their tax base and what can be expected to happen in the way of demand for services. Local retailers also find these statistics to be of great value. Most of the people who request the data want them for only a few counties, or for just one State.

As it turns out, the average income of migrants is considerably less than that of non-migrants, at least for the year immediately preceding migration. For example, comparing matched Tax Year 1979 to Tax Year 1981 data, the average 1979 AGI of those taxpayers who were about to leave their county of residence was \$14,227, or 82 percent of the average income of the taxpayers who were remaining in their county of residence. At the end of this 2-year period, the income of the migrants had risen to an average of \$17,935; this represented 85 percent of the income of the non-migrants. In other words, migration appears to have had a small but noticeable positive effect on income; actually, since some of the second-year income may have been earned at the former place of residence, and since it frequently had been reduced on the tax return by the deduction for moving expenses, following these returns for 1 more year might show that the average incomes of the migrants moved even closer to those of the non-migrants.

Department of Defense (DOD) Salary Study

The Department of Defense (DOD) Salary Study is the result of a public law which requires that Department to perform an evaluation of the military pay structure at least once every 4 years. Part of this study entails following the earnings of persons who leave the Armed Forces—"separates" as they are called—to learn what the "opportunity costs" are for persons who remain in the Armed Forces.

The sample of separates is chosen by DOD to represent a wide range of length-of-service, rank, age, military occupation, and year-of-separation groupings. Once selected for the sample, the individual remains in it for the duration of

the study; however, new separatees are sampled each year. DOD provides IRS with the SSN's of the separatees along with codes indicating their DOD characteristics, e.g., length-of-service and rank. The Statistics of Income Division then obtains the total salaries and wages reported on Form W-2 records by the employers of these taxpayers. Using Forms W-2 rather than income tax returns as the source of wage data permits information to be obtained separately on the former members of the Armed Forces as well as their spouses.

Because of taxpayer rights of privacy, tax return-identifiable data cannot, of course, be released to DOD. All SSN's are, therefore, removed from the data before they are released. Furthermore, steps are taken to be sure that DOD has supplied at least three individuals with any given combinations of DOD characteristics, so that DOD will not be able to match back to the SSN's using the characteristics data.

One of the limitations of this panel is missing data. There are no indicators on the Form W-2 file which would indicate whether a person for whom no data are available is self-employed, unemployed, retired, or deceased. Therefore, there is no way to determine whether the lack of data was the result of a processing error, e.g., incorrect transcription of the SSN. At present, the only alternative is to omit these individuals from the analysis.

In spite of these limitations, DOD has reached some interesting conclusions from comparing the incomes of separatees to those of the population as a whole, as well as to those of individuals who remained in the Armed Forces. For example, it appears that a short career in the Armed Forces—up to 4 years for enlisted men, up to 8 years for officers—is quite beneficial to future earning power. Individuals who leave the Armed Forces within those periods earn more in civilian life than do their counterparts who never served. However, after about 12 years of service, there is definitely no competitive edge, and after 16 years, separatees tend to earn less than both those who never served and those who remain in the Armed Forces.

Not surprisingly, the post-service earnings patterns differed considerably for persons in different military occupations. For example, physicians and dentists did extremely well, no matter when they left the Armed Forces. Persons in aviation-related jobs did very well if they left early, but not nearly as well if they stayed on in the Armed Forces for any length of time before they left. Based on such findings, DOD came up with recommendations for bonuses and incentive payments specific to each military occupation.

NOTES AND REFERENCES

- [1] See also Skelly, Daniel F., and Hobbs, James R., "Statistics of Income Studies of International Income

and Taxes," *Statistics of Income Bulletin*, Fall 1986, Volume 6, Number 2, and Skelly, Daniel F., and Kozelec, John A., "Statistics of Income Domestic Special Studies," *Statistics of Income Bulletin*, Fall 1987, Volume 7, Number 2.

- [2] Studies based on sole proprietorship schedules attached to individual income tax returns are discussed in the Spring 1988 issue of the *Statistics of Income Bulletin*, in an article on SOI studies of business income and taxes. Studies on individual income earned abroad and on the foreign tax credit claimed by individuals are discussed in the Fall 1986 issue of the *Bulletin*, in an article on SOI studies of international income and taxes. See also, Wolfe, Raymond M., "Sole Proprietorship Returns, 1985" and Paris, David, "Foreign Income and Taxes Reported on U.S. Individual Tax Returns, 1983: An Overview," *Statistics of Income Bulletin*, Summer 1987, Volume 7, Number 1.
- [3] Much of the material appearing in this section is borrowed from a previous *Bulletin* article. See Paris, David and Hilgert, Cecelia, "70th Year of Individual Income and Tax Statistics, 1913-1982," *Statistics of Income Bulletin*, Winter 1983-1984, Volume 3, Number 3. See also, *Statistics of Income—50th Year, Historical Summary, 1916-1965*, Statistics Division, Internal Revenue Service (unpublished report).
- [4] Exhibit 1 is updated from Blacksin, Jack and Plowden, Ray, "Statistics of Income for Individuals: A Historical Perspective," *1981 American Statistical Association Proceedings, Section on Survey Research Methods*.
- [5] The latter definitions were introduced mainly to facilitate analysis of data reported on returns of high-income taxpayers by the Office of Tax Analysis in the Office of the Secretary of the Treasury. Results of this analysis are contained in an annual report to Congress that is required under the Revenue Act of 1976. This report is currently published in the annual *Statistics of Income—Individual Income Tax Returns*. Additional analyses, including comparisons with prior years, are published each year in the *Statistics of Income Bulletin*; see, for example, Lerman, Allen H., "High-Income Returns for 1984," *Statistics of Income Bulletin*, Spring 1987, Volume 7, Number 2.
- [6] Since Tax Year 1982, a limited amount of data by State has been available from the Master File system. These data are published in the Selected Statistical Series section of the *Statistics of Income Bulletin* (which also includes a short description of why there are some differences between statistics by State based on the SOI sample and statistics by State based on the

administrative data from the Master File system). These data are updated annually in the Fall issue. For future plans to provide data by State, see the discussion below, under "Tax Model."

- [7] U.S. Department of the Treasury, Internal Revenue Service, *Statistics of Income—1985, Individual Income Tax Returns*.
- [8] For preliminary data for 1986, see Shiley, Martha, and Kalish, Robert, "Individual Income Tax Returns, Preliminary Data, 1986," *Statistics of Income Bulletin*, Winter 1987–1988, Volume 7, Number 3.
- [9] *Ibid.*
- [10] See Franklin, Corman G., "Projections of Returns to be Filed in Fiscal Years 1988–1995," *Statistics of Income Bulletin*, Fall 1987, Volume 7, Number 2.
- [11] The number of exemptions claimed on tax returns gives a count of the number of individuals actually covered by the tax filing system. There are, however, some adjustments that have to be made to the number of exemptions to compensate for over- and undercounting of individuals. Prior to enactment of the Tax Reform Act of 1986, these included: subtraction of the extra exemptions for age and blindness, elimination of duplicate counting of dependents with unearned income, and adjustments to compensate for overcounting of certain deceased taxpayers, dependents with earned income, and dependents of divorced tax return filers. The 1986 Act modified some of the adjustments that were previously required. For more information on comparability of census population counts and counts obtainable from individual income tax returns, see, for example, Alvey, Wendy, and Scheuren, Fritz, "Background for an Administrative Record Census," 1982 *Proceedings of the American Statistical Association, Section on Survey Research Methods*.
- [12] The shortcomings of the tax return reporting unit and of "taxable" income (in contrast to "economic" income) for use in tax research have long been recognized, especially when estimating the revenue effects of new tax proposals. Starting with the SOI Tax Model file, Office of Tax Analysis economists have attempted to overcome these limitations by combining tax return data into "families" through "statistical" matches (in contrast to "exact" matches) with Bureau of the Census data (that include income data for "households") on the basis of units having similar characteristics. However, this kind of match is imperfect at best. As a result, the Statistics of Income Division has been asked to address some of these shortcomings based on new information reported on the individual income

tax return. Efforts will be directed to creating the family, using identifying information on the tax return starting with 1987, which will enable the separate tax returns of family members to be identified and associated for inclusion in future SOI samples. In addition, new data on income reported as a result of 1986 and other recent law changes, e.g., on tax-exempt interest on State and local Government obligations, should enable SOI to compute a measure of income that is closer, conceptually, to "economic" income.

For a discussion of SOI usage of "adjusted gross income" (AGI) in historical perspective and a consideration of alternative economic income concepts, see Hostetter, Susan, "Measuring Income for Developing and Reviewing Individual Income Tax Law Changes: Exploration of Alternative Concepts," *Statistics of Income and Related Administrative Record Research: 1986–1987*, Internal Revenue Service, U.S. Department of the Treasury, 1987. For a discussion of the family income concept that has been used by economists in the Office of Tax Analysis, see Nelson, Susan C., "Family Economic Income and Other Income Concepts Used in Analyzing Tax Reform," *Compendium of Tax Research*, 1986, Office of Tax Analysis, U.S. Department of Treasury, 1987. For a broader review of problems in tax modelling for tax reform by a former member of the Office of Tax Analysis, see Bristol, Ralph B., Jr., "Tax Modelling and the Policy Environment of the 1990's," *Multi-National Tax Modelling Symposium Proceedings*, Revenue Canada Taxation, 1985.

- [13] *Ibid.*
- [14] For a discussion of research undertaken and methods instituted to protect taxpayer confidentiality in the Tax Model, see Strudler, Michael, Oh, H. Lock, and Scheuren, Fritz, "Protection of Taxpayer Confidentiality with Respect to the Tax Model", 1986 *Proceedings of the American Statistical Association, Section on Survey Research*. For discussions of special techniques for protecting confidentiality in statistical data derived from administrative records, see also Spruill, Nancy L., "Measures of Confidentiality," *Statistics of Income and Related Administrative Record Research: 1982*, Internal Revenue Service, U. S. Department of the Treasury, 1982, and Spruill, Nancy L., "The Confidentiality and Analytic Usefulness of Masked Business Microdata," 1983 *Proceedings of the American Statistical Association, Section on Survey Research Methods*.
- [15] For two examples of Brookings Institution publications which relied heavily on the SOI Tax Model File, see Pechman, Joseph A., *Who Paid the Taxes, 1966–1985*, The Brookings Institution, 1985, and *Federal Tax Policy*, 5th Edition, The Brookings Institution, 1987.

- [16] Further information about the most recent Public-Use Tax File or State Tax Model File can be obtained by writing to the Director, Statistics of Income Division, TR:S, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224 and requesting a copy of the "General Description Booklet for the 1985 Individual Tax Model File," or the "General Description Booklet for the 1985 Individual State Tax Model File."
- The Public Use Tax Model File (and tabulations based on the In-house File) may be obtained on a cost-reimbursable basis by writing to the Director, Statistics of Income Division, at the address given above. Requests from State tax administration agencies for the State Tax Model File for their own particular State should be addressed to the District Director, Internal Revenue Service, for a district office that serves that State.
- [17] For a brief description of the IRS Master File system and the relationship between statistical and administrative processing of tax returns, see Wilson, Robert A., "Statistics of Income: A Byproduct of the U.S. Tax System," *Multi-National Tax Modelling Proceedings*, Revenue Canada Taxation, 1985.
- [18] For an example of how the Public-Use Tax Model File was used by the Congressional Budget Office (CBO), see *The Changing Distribution of Federal Taxes: 1975-1990*, Congressional Budget Office, Congress of the United States, 1987. For this study, the CBO used the 1977 and 1984 Public-Use Tax Models, and then regressed the data backward to 1975 and projected it forward to 1990 (encompassing the full effects of the Tax Reform Act of 1986).
- [19] See, for example, Weber, Michael E., and Paris, David P., "Individual Income Tax Returns for 1986: Selected Characteristics from the Taxpayer Usage Study," *Statistics of Income Bulletin*, Summer 1987, Volume 7, Number 1.
- [20] See, Shiley, Martha, and Kalish, Robert, *op. cit.*
- [21] Additional information on the Tax Year 1936 study can be found in *Statistics of Income Supplement Compiled from Income Tax Returns for 1936, Section IV, Capital Gains and Losses*, and in Seltzer, Lawrence H., *The Tax Treatment of Capital Gains and Losses*, National Bureau of Economic Research, 1951. The 1936 study was preceded by more limited studies for Tax Years 1930, 1932, and 1933, using selections of returns that showed sales of stocks and bonds only. All four studies were conducted with assistance from the Works Projects Administration and, in addition, for 1933, from the National Bureau of Economic Research, and all were included in compilations that are part of the unpublished *Source Book of Statistics of Income* for these years.
- [22] For additional information on Sales of Capital Assets, see *Supplemental Report, Statistics of Income—1973, Sales of Capital Assets Reported on Individual Income Tax Returns*. See also, Brame, Bertie, and Gilmour, Keith, "Sales of Capital Assets, 1973-1980," *Statistics of Income Bulletin*, Summer 1982, Volume 2, Number 1, and Clark, Bobby, and Paris, David, "Sales of Capital Assets, 1981 and 1982," *Statistics of Income Bulletin*, Winter 1985-86, Volume 5, Number 3.
- [23] See, for example, Windheim, Barry, and Crossed, Charles, "Salaries and Wages Reported on Form W-2, by Marital Status and Age, 1983," *Statistics of Income Bulletin*, Winter 1987-1988, Volume 7, Number 3.
- [24] To date, the only complete study of occupations based on individual income tax returns was published in the *Statistics of Income* report for Tax Year 1916; there were 36 categories for which data were provided.
- [25] The "standard occupational codes" are contained in the *Standard Occupational Classification Manual*, Office of Federal Statistical Policy and Standards, U.S. Department of Commerce, 1980.

Exhibit 1.—Types of Data Published in Individual Statistics of Income Reports for Selected Tax Years, 1916–1985

Subject	Number of tables by selected tax year														
	1916	1921	1926	1931	1936	1941	1946	1951	1956	1961	1966	1971	1976	1981 ¹	1985 ¹
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Total number of tables															
All tables, total	17	22	20	26	26	28	25	19	30	48	89	68	64	36	20
Text tables.....	10	12	10	14	13	15	11	5	12	19	30	18	15	14	3
Basic tables.....	7	10	10	12	13	13	14	14	18	28	59	50	49	21	17
Number of basic tables															
Sources of income, total	5	5	7	4	7	8	6	10	5	11	25	15	11	8	8
By size of net income or adjusted gross income ³	2	3	3	2	4	5	1	3	1	2	5	2	4	5	5
By size or type of income source.....							2	4	2	2	4	3	1		
By frequency of source.....										3	6				
By marital status.....	1		1	1	1	1	1	1	1	2	3	6	3	1	3
By State.....	1	2	2	1	2	2	2	2	1	2	3	2	2	2	
For age 65 or over.....											4	2	1	1	1
Deductions, total			1	2	1		3	1	5	4	18	5	10	4	2
By size of net income or adjusted gross income ²				1			3	1	4	3	3	3	2	1	1
By size or type of deduction.....									1	1	7				
By marital status.....			1	1	1						3	2	2	1	1
By State.....											2		1	1	
For age 65 or over.....														1	
As percentage of income.....											3		5		
Exemptions, total							1	1	1	1	4	2	3	4	2
By size of adjusted gross income.....							1				1			1	1
By marital status.....									1				1	1	
By State.....											1	1	1	1	
By type of exemption.....											2	1	1	1	
Tax liability, total							2		5	7	7	21	12	6	6
By size of net income or adjusted gross income ²							2		1		1	6	1	3	1
By type of computation.....												8	5	1	1
By marginal tax rate.....									1	7	5	7	6		2
By State.....											1				1
As percentage of income.....									3					1	1
By marital status.....														1	
Tax credits and payments, total				2							1		7	4	1
By size of net income or adjusted gross income ²				1							1		5	2	1
By size of credit or payment.....															
By State.....				1									2	2	
Balance due or overpayment, total					2		1	1			2	3	2	1	
By size of net income or adjusted gross income ²					2		1	1				1		1	
By size or type of item.....											2	2	2		
Other classifications, total	2	5	3	4	3	5	1	1	2	5	2	4	4	3	
Occupation.....	1														
Taxable and nontaxable returns.....						1			1	1		1	1	1	
Sex of taxpayer.....	1	2	1	1	1	1									
Returns with no adjusted gross income ²				2	2	3									
Form 1040A returns.....										1	1				
Presidential campaign checkoff.....															
Historical data.....		1	1	1			1	1	1	1	1			2 ³	2 ³
County.....		1	1												
City.....		1													
Standard metropolitan statistical area.....										2		3			
Returns with residential energy tax credits.....														2	

¹ For Tax Years 1981 and 1985 the number of basic tables under each category do not add to the "Basic tables" total because of a table redesign that began with Tax Year 1980. Beginning with Tax Year 1980 many tables previously shown separately were combined with others.

² "Net income" for 1916 through 1943; "adjusted gross income" thereafter.

³ Published in the Selected Statistical Series section of the SOI Bulletin and therefore not reflected in the totals above.

Table I.—Number of Returns, Leading Sources of Income, Adjusted Gross Income, and Tax, Tax Years 1913–1986

[For most years, figures are estimates based on samples—number of returns are in thousands; money amounts are in millions of dollars]

Tax Year	Returns			Leading sources of income							Income tax before credits	Total tax liability ⁵
	Number	Increase or decrease (–)		Salaries and wages ¹	Sole proprietorships and partnerships ²	Dividends ³	Taxable interest ⁴	Total		Adjusted gross income (less deficit)		
		Number	Percent					Amount	Percentage of adjusted gross income			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Individuals with income only, and estates and trusts with taxable income												
1913 ⁶	358	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	N/A	N/A	28	28
1914	358	(⁷)	(⁸)	n.a.	n.a.	n.a.	n.a.	n.a.	N/A	N/A	41	41
1915	337	–21	–5.8	n.a.	n.a.	n.a.	n.a.	n.a.	N/A	N/A	68	68
1916	437	100	29.7	1,851	n.a.	2,136	n.a.	n.a.	N/A	N/A	173	173
1917	3,473	3,036	694.7	3,648	3,640	2,849	n.a.	n.a.	N/A	N/A	795	795
1918	4,425	952	27.4	8,267	4,339	2,469	n.a.	n.a.	N/A	N/A	1,128	1,128
1919	5,333	908	20.5	10,756	5,709	2,454	n.a.	n.a.	N/A	N/A	1,270	1,270
1920	7,260	1,927	36.1	15,323	4,922	2,736	n.a.	n.a.	N/A	N/A	1,075	1,075
1921	6,662	–598	–8.2	13,813	3,707	2,477	n.a.	n.a.	N/A	N/A	719	719
1922	6,787	125	1.9	13,694	4,267	2,664	n.a.	n.a.	N/A	N/A	862	861
1923	7,698	911	13.4	14,195	6,399	3,120	n.a.	n.a.	N/A	N/A	882	662
1924	7,370	–328	–4.3	13,618	6,565	3,251	n.a.	n.a.	N/A	N/A	744	704
1925	4,171	–3,199	–43.4	9,742	5,516	3,465	n.a.	n.a.	N/A	N/A	767	735
1926	4,138	–33	–0.8	9,994	5,306	4,012	n.a.	n.a.	N/A	N/A	761	732
1927	4,102	–36	–0.9	10,218	5,043	4,255	1,723	21,239	N/A	N/A	862	831
Individuals with income or deficit, and estates and trusts with taxable income												
1928	4,144	42	1.0	10,945	5,2237	4,440	n.a.	n.a.	N/A	N/A	1,204	1,164
1929	4,137	–7	–0.2	11,373	5,2827	5,081	n.a.	n.a.	N/A	N/A	1,029	1,002
1930	3,852	–285	–6.9	10,206	3,102	4,632	n.a.	n.a.	N/A	N/A	512	477
1931	3,411	–441	–11.4	8,631	2,016	3,600	n.a.	n.a.	N/A	N/A	288	246
1932	4,084	673	19.7	8,356	1,229	2,189	1,307	13,081	N/A	N/A	402	330
1933	3,892	–192	–4.7	7,565	1,746	1,711	1,106	12,128	N/A	N/A	425	374
1934	4,198	306	7.9	8,681	2,125	2,041	995	13,842	N/A	N/A	511	511
1935	4,670	472	11.2	9,972	2,387	2,288	980	15,627	N/A	N/A	657	657
1936	5,486	816	17.5	11,718	3,210	3,288	955	19,111	N/A	N/A	1,214	1,214
1937	6,386	900	16.4	14,206	3,359	3,248	856	21,669	N/A	N/A	1,142	1,142
Individuals with income or deficit												
1938	6,251	–135	–2.1	13,307	3,120	2,212	823	19,462	N/A	N/A	766	766
1939	7,653	1,402	22.4	16,491	3,674	2,544	832	23,541	N/A	N/A	929	929
1940	14,711	7,058	92.2	27,707	5,407	2,999	1,003	37,116	N/A	N/A	1,496	1,496
1941	25,870	11,159	75.9	47,140	8,455	3,299	1,029	59,923	N/A	N/A	3,908	3,908
1942	36,619	10,749	41.6	65,617	12,391	2,833	982	81,823	N/A	N/A	8,927	8,927
1943	43,722	7,103	19.4	82,755	15,717	2,780	886	102,138	N/A	N/A	14,607	31,736
1944	47,111	3,389	7.8	91,125	17,250	3,924	3,924 3,925	112,299	96.4	116,465	16,225	16,216
1945	49,932	2,821	6.0	91,700	19,003	3,925		114,628	95.5	120,009	17,061	17,050
1946	52,817	2,885	5.8	99,174	23,267	3,674	1,067	127,182	94.9	134,083	16,092	16,076
1947	55,099	2,282	4.3	114,804	23,295	4,295	1,125	143,519	95.8	149,736	18,092	18,076
1948	52,072	–3,027	–5.5	125,881	24,506	4,971	1,293	156,651	95.8	163,516	n.a.	15,442
1949	51,814	–258	–0.5	124,883	21,705	5,246	1,528	153,362	95.5	160,574	n.a.	14,538
1950	53,060	1,246	2.4	139,073	23,429	6,157	1,595	170,254	95.0	179,148	n.a.	18,375
1951	55,447	2,387	4.5	160,482	24,878	6,056	1,702	193,118	95.4	202,337	n.a.	24,439
1952	56,529	1,082	2.0	174,339	24,754	5,860	1,847	208,800	97.0	215,290	27,823	28,020
1953	57,838	1,309	2.3	187,734	24,951	5,828	2,043	220,556	96.4	228,708	29,450	29,657
1954	56,747	–1,091	–1.8	185,953	25,452	7,048	2,370	220,823	96.3	229,221	26,874	26,666
1955	58,250	1,503	2.6	200,712	27,454	7,851	2,584	238,601	96.0	248,530	29,983	30,077
1956	59,197	947	1.6	215,618	30,137	8,606	2,872	257,233	96.1	267,724	33,134	33,265
1957	59,825	628	1.1	228,077	29,698	9,124	3,319	270,218	96.4	280,321	34,816	34,975

Table 1.(Continued)—Number of Returns, Leading Sources of Income, Adjusted Gross Income, and Tax, Tax Years 1913–1986

[For most years, figures are estimates based on samples—number of returns are in thousands; money amounts are in millions of dollars]

Tax Year	Returns			Leading sources of income						Income tax before credits	Total tax liability ⁵	
	Number	Increase or decrease (–)		Salaries and wages ¹	Sole proprietorships and partnerships ²	Dividends ³	Taxable interest ⁴	Total				Adjusted gross income (less deficit)
		Number	Percent					Amount	Percentage of adjusted gross income			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1958	59,085	– 740	– 1.2	227,551	29,906	8,741	3,659	269,857	96.0	281,154	34,755	34,925
1959	60,271	1,186	2.0	247,370	30,994	9,356	4,395	292,115	95.7	305,094	39,092	39,347
1960	61,028	757	1.3	257,918	30,038	9,530	5,057	302,543	95.9	315,466	39,909	40,298
1961	61,499	471	0.8	266,902	31,578	9,890	5,683	314,053	95.2	329,861	42,715	43,066
1962	62,712	1,213	2.0	283,373	33,269	10,640	7,155	334,437	95.9	348,701	45,692	45,790
1963	63,943	1,231	2.0	299,443	33,184	11,452	9,212	353,291	95.8	368,778	49,117	49,216
1964	65,376	1,432	2.2	323,266	35,358	11,917	10,125	380,666	96.0	396,660	47,897	48,185
1965	67,596	2,221	3.4	347,150	38,559	12,961	11,296	409,966	95.5	429,201	50,144	40,632
1966	70,160	2,564	3.8	381,067	42,179	13,998	13,225	450,469	96.2	468,451	56,773	57,627
1967	71,652	1,492	2.1	411,646	43,745	14,202	14,899	484,492	96.0	504,809	63,656	64,524
1968	73,729	2,077	2.9	451,505	45,502	15,222	16,782	529,011	95.4	554,420	72,261	78,419
1969	75,834	2,105	2.9	498,865	47,683	15,740	19,626	581,914	96.4	603,546	79,643	88,524
1970	74,280	– 1,554	– 2.0	531,884	45,981	15,807	22,021	615,693	97.5	631,693	82,138	85,767
1971	74,576	296	0.4	564,967	47,057	15,671	24,731	652,426	96.9	673,619	85,943	87,469
1972	77,573	2,997	4.0	622,599	51,729	16,794	27,400	718,522	96.3	745,975	94,442	95,949
1973	80,693	3,120	4.0	687,179	52,985	18,734	32,174	791,074	95.6	827,140	109,395	111,175
1974	83,340	2,647	3.3	758,629	57,633	20,888	39,543	876,693	96.8	905,523	125,079	127,003
1975	82,229	– 1,111	– 1.3	795,399	55,796	21,892	43,434	916,521	96.7	947,785	132,452	127,939
1976	84,670	2,441	3.0	880,999	61,514	24,462	48,511	1,015,486	96.4	1,053,896	153,534	145,749
1977	86,635	1,965	2.3	969,404	65,243	27,020	54,603	1,116,270	96.4	1,158,492	172,112	164,024
1978	89,772	3,137	3.6	1,090,292	74,441	30,206	61,223	1,256,162	96.4	1,302,447	203,804	193,185
1979	92,694	2,922	3.3	1,229,251	73,369	33,483	73,875	1,409,978	96.2	1,465,395	220,100	220,100
1980	93,902	1,208	1.3	1,349,843	63,436	38,761	102,009	1,554,049	95.7	1,613,731	256,294	256,251
1981	95,396	1,494	1.6	1,486,100	44,305	178,098		1,708,503	96.4	1,772,604	293,590	291,127
1982	95,377	19	(⁶)	1,564,995	50,993	52,142	157,021	1,825,151	98.5	1,852,135	283,932	284,708
1983	96,321	944	1.0	1,644,513	61,872	48,557	153,805	1,908,807	98.3	1,942,590	279,842	282,318
1984	99,439	3,118	3.2	1,807,138	55,403	48,641	176,369	2,087,551	97.6	2,139,904	306,686	312,534
1985	101,660	2,221	2.2	1,928,201	64,241	55,046	182,109	2,229,597	96.7	2,305,951	332,165	338,765
p1986	103,300	1,640	1.6	2,046,135	88,913	63,074	168,202	2,366,324	93.8	2,522,517	378,422	390,796

n.a. — Not available.

N/A — Not applicable.

p — Preliminary.

¹ Includes income from "professions and vocations" for 1916; earned income from partnerships, 1916–1926; wages of the taxpayer and of the spouse and dependent minors from sole proprietorships, 1916–1923, and of the spouse and dependent minors only, 1944–1949. For 1944–1965, excludes small amounts not subject to tax withholding; for 1954–1963, amounts shown are after sick pay exclusion and certain allowable employee expenses.

² Includes net gain from sales of certain capital assets and other kinds of property for 1916; and income from sole proprietorships and partnerships for all years except those specified in footnote 1. However, prior to 1930 income was not reduced by deficits reported by loss businesses. Also, starting 1966, includes income from S Corporations.

³ In general, includes all domestic and foreign dividends starting 1936, except for certain small amounts for 1944–1965; previously, certain foreign dividends were excluded. Includes stock dividends, 1916–1919. The combined total for dividends and interest for 1944–1945 includes partially tax-exempt interest. Amounts for 1954–1986 are after subtraction of dividend exclusion. For 1981, because of a one-time combined interest and dividend exclusion, the amount shown is a combination of interest and dividends after exclusion; before exclusion, dividends alone were \$48,161 million. Prior to 1936 and for 1954–1986, includes dividends received through partnerships, estates, and trusts.

⁴ In general, prior to 1966, excludes generally small taxable amounts. For 1944–1961, includes partially tax-exempt interest. For 1981, because of a one-time combined interest and dividend exclusion, the amount shown is a combination of interest and dividends after exclusion; before exclusion, interest alone was \$140,559 million.

⁵ In addition to income tax after credits, includes such other taxes as excess profits tax, 1917; defense tax, 1940; victory tax, 1943; self-employment (social security) tax, starting 1951; tax from recomputing prior-year investment credit, starting 1963; income tax surcharge, 1968–1970; minimum tax, 1970–1982; and alternative minimum tax starting 1979. Also, for 1913–1915, includes fines, penalties, additional assessments, and the like, in addition to the tax liability reported on the income tax return.

⁶ Tax Year 1913 covered only 10 months, March–December 1913.

⁷ Decrease under 500 returns.

⁸ Less than 0.05 percent.

NOTE: Year-to-year comparability is affected by tax law changes which are in addition to those reflected in footnotes 1–5; see *Statistics of Income* reports for the appropriate year for further information. Detail may not add to totals because of rounding.

Individual Income Tax Returns, Preliminary Data, 1986

By Martha Shiley and Robert Kalish*

Adjusted gross income (AGI) reported on the 103 million individual income tax returns for 1986 increased by 9.4 percent over 1985. Most major sources of income increased, most notably net gains from the sale of capital assets which doubled. Adjustments, or subtractions from income, and the tax base, as measured by "taxable income," rose more slowly than AGI. In contrast, total itemized deductions grew faster than AGI. Finally, total income tax increased by 15.6 percent from 1985 to 1986.

The preliminary 1986 data are presented in Table 1 and data for other recent years are summarized in the Selected Statistical Series, shown near the end of this Bulletin. In this article, preliminary 1986 data are compared against final data for earlier years. As mentioned throughout this article, some of the changes from 1985 to 1986 may reflect taxpayer reaction to provisions of the Tax Reform Act of 1986 (TRA), which was enacted on October 22, 1986. Individuals may have undertaken certain transactions or delayed receiving certain amounts of income, and accelerated certain itemized deductions because of the difference in tax treatment of these items for 1987 and later years. Such changes in behavior were often intended to reduce taxes or to increase tax benefits.

SELECTED SOURCES OF INCOME

The total amount of AGI exceeded \$2.5 trillion for 1986, reflecting growth in most of the sources of income shown in Figure A. Figures B and C further show the changes in the frequency of occurrence and the average amount of selected sources of income between 1985 and 1986. Figure B shows the average per return of AGI and of certain sources of income, while Figure C shows the number of returns for each source of income.

Net gains less losses from the sale of capital assets showed the highest percentage change, with an increase of 99.6 percent for 1986, compared with an increase of 25.2 percent for 1985 [1]. This change resulted in large part from the TRA, which repealed the preferential tax treatment of long-term capital gains beginning January 1, 1987 [2]. Figure D shows the changes in the net gains less losses, net long-term gains less losses, and net short-term gains less losses from 1981 to 1986. Net long-term capital gain transactions contributed most to the overall change between 1985 and 1986.

* Individual Returns Analysis Section. Prepared under the direction of Susan Hostetter, Chief.

Figure A.—Selected Sources of Income, Tax Year 1986

Selected income source	1986 Amount (millions)	Percentage change from 1985
Adjusted gross income.....	\$2,522,517	9.4%
Salaries and wages	2,046,135	6.1
Interest	168,202	-7.6
Dividends in AGI.....	63,074	14.6
Business or profession net income less loss	90,367	14.7
Net income.....	109,316	10.7
Net loss	18,949	5.3
Sales of capital assets net gain less loss ¹	136,274	99.6
Net gain (after exclusion) ¹	139,674	93.5
Net loss	3,399	13.0
Pensions in AGI	108,502	14.1
Farm net income less loss	-6,907	42.5
Net income.....	8,991	38.5
Net loss	15,898	14.1
Partnership and S Corporation net income less loss	5,453	315.9
Net income.....	52,764	8.8
Net loss	47,311	7.2

¹ Includes capital gain distributions not required to be reported on Schedule D, the capital gain computation schedule, including long-term capital gains distributed by regulated investment companies, mutual funds, and real estate investment trusts. The taxpayer entered 40 percent of the capital gain distribution (the amount remaining after the 60 percent exclusion) directly on Form 1040, if there were no other capital gains or losses to report.

In addition to capital gains, growth in AGI was fueled by increases in salaries and wages; business net income, pensions in AGI, and dividends. Salaries and wages increased 6.1 percent, following an increase of 6.7 percent for 1985. Since salaries and wages comprise approximately 80 percent of AGI, the change in this source has the greatest overall effect on AGI. Business net income (less loss) from non-farm sole proprietorships increased from 1985, by 15 percent to over \$90 billion. Pensions in AGI reached over \$108 billion, with a rate of increase of 14 percent which was somewhat smaller from that of the previous tax year. Dividends in AGI experienced a rise in 1986 similar to that for 1985. The increases in dividends contrasted to the previous 2 years (1983 and 1984) for which there was minimal growth.

In contrast to the growth of these sources of income, interest received decreased by 7.6 percent. The number of returns reporting interest income increased only 1.5 percent, compared to an average increase of 5.7 percent for the previous 5 tax years. In addition to the relative lack of growth in the number of returns claiming this source of income, the decline in the amount of interest income is related to the decline in interest rates throughout 1985 and 1986 [3].

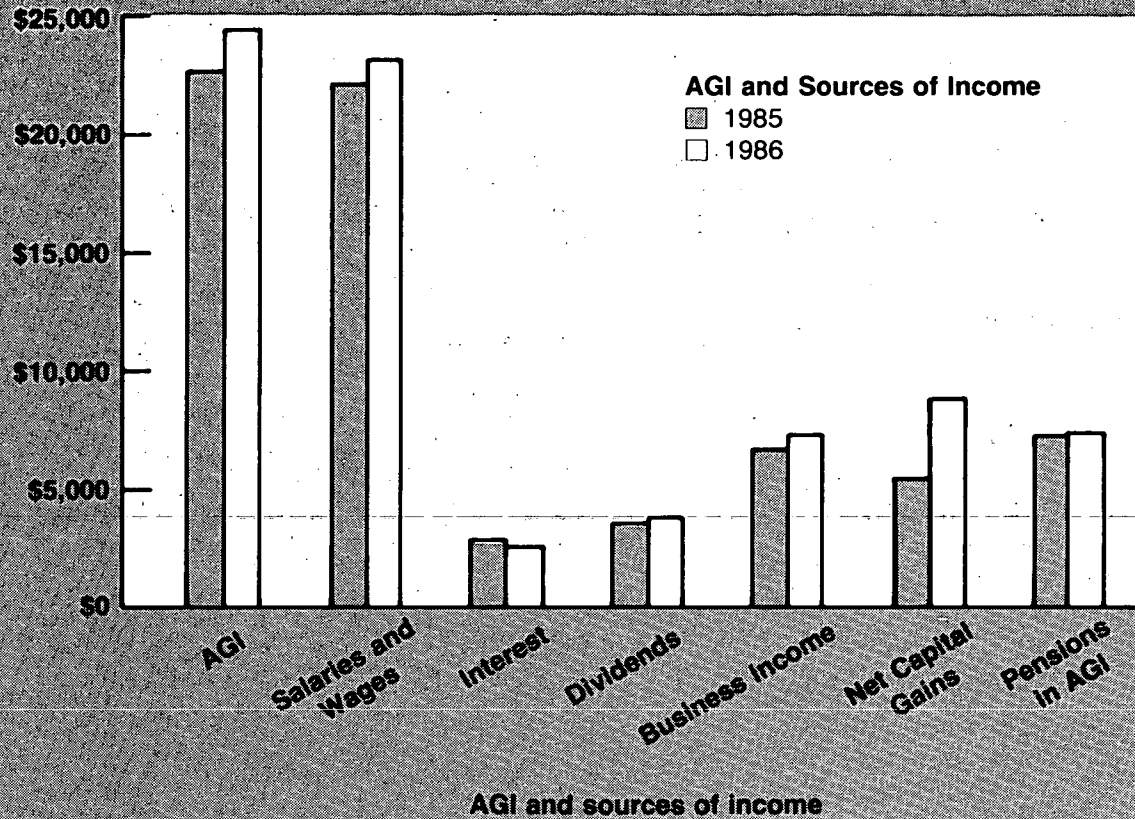
STATUTORY ADJUSTMENTS

Total statutory adjustments for Tax Year 1986 increased 4 percent which is a smaller increase than for AGI [4]. For

Figure B

Average Adjusted Gross Income and Selected Sources of Income, Tax Years 1985 and 1986

Dollars per return



1985, they had also grown more slowly than AGI. Payments to individual retirement arrangements (IRA's), which were the largest dollar component of statutory adjustments, showed almost no growth in contrast to the 8 percent increase for 1985.

Among other adjustments, the two-earner married couple deduction continued its growth as in the past and the adjustment for employee business expense also increased, following a decrease for the previous year (see Figure E).

ITEMIZED DEDUCTIONS

Total itemized deductions increased 10 percent from their 1985 level to over \$446 billion. Since 2 percent more taxpayers itemized, the average itemized deduction only rose 8 percent. Excess itemized deductions which equal

total itemized deductions less the zero bracket amount (standard deduction) rose 12 percent. Deductions for taxes paid and contributions to charitable organizations showed the largest percentage changes, followed by those for medical and dental expenses, miscellaneous expenses, and interest paid (see Figure F).

For 1986, the 13 percent increase in the deduction for taxes paid brought this amount to \$145 billion. A contributing factor was a 28 percent increase in State and local sales taxes to over \$28 billion, due in part to more generous optional sales tax tables supplied by the Internal Revenue Service. TRA repealed the deduction for State and local sales taxes for tax years beginning after 1986. Thus, taxpayers may have purchased items such as automobiles in Tax Year 1986 while the sales taxes were still deductible, rather than in Tax Year 1987 when they might otherwise have made such purchases. Deductible medical and dental

Figure C

Number of Returns Reporting Adjusted Gross Income and Selected Sources of Income, Tax Years 1985 and 1986

Millions of returns

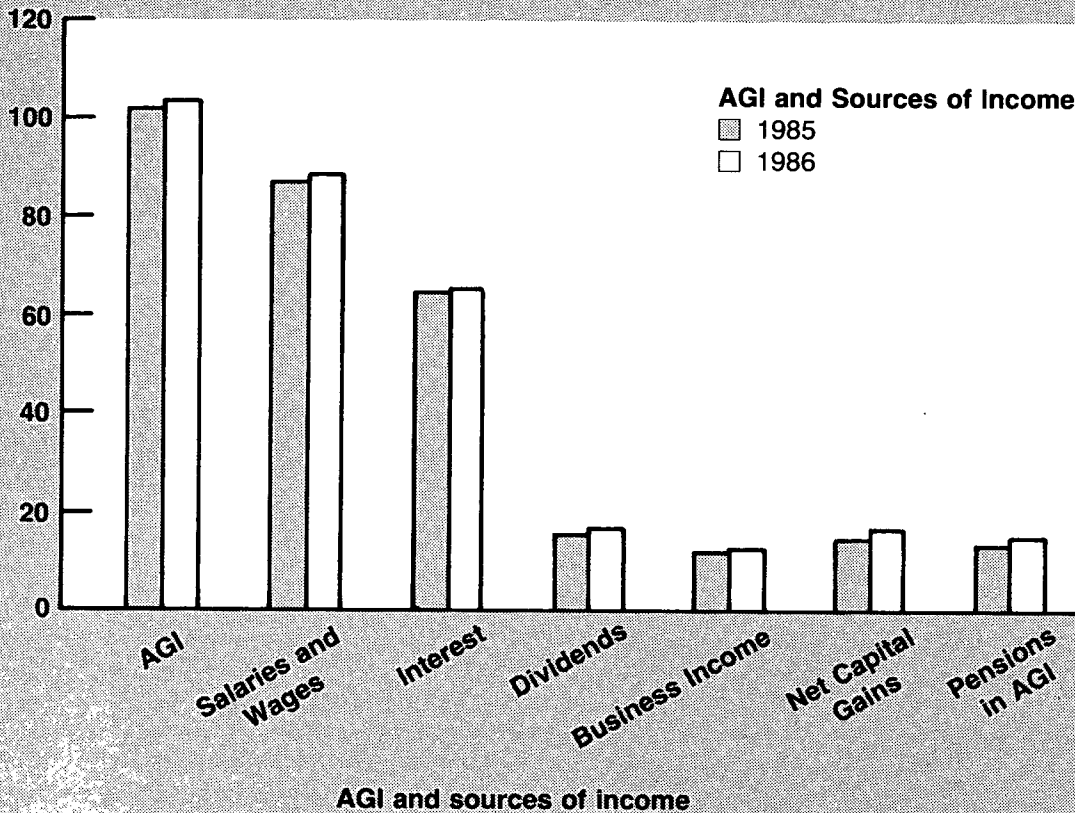


Figure D.—Net Capital Gains Less Losses, Tax Years 1981–1986

[Number of returns in thousands; amounts in millions of dollars]

Tax Year	Net gains less losses included in AGI ¹			Net long-term gains less losses (before exclusion) ²			Net short-term gains less losses		
	Number of returns	Amount	Percentage change	Number of returns	Amount	Percentage change	Number of returns	Amount	Percentage change
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1981.....	10,790	\$ 31,322	(³)	8,433	\$ 69,870	(³)	2,995	\$ -11,488	(³)
1982.....	10,940	34,826	11.2%	8,734	75,745	8.4%	3,008	-10,100	12.1%
1983.....	10,918	49,408	41.9	9,747	107,209	41.5	3,613	-10,112	-0.1
1984.....	12,559	54,519	10.3	11,391	124,515	16.1	3,773	-13,128	-29.8
1985.....	12,659	68,278	25.2	11,813	152,879	22.8	3,575	-11,972	8.8
1986 ^P	15,611	136,274	99.6	14,747	312,438	104.4	3,788	-7,496	37.4

¹ Net gains less losses (col. 2) equals net long-term gains less losses (before exclusion) (col. 5) less the capital gains exclusion plus net short-term gains less losses (col. 8).

² Includes capital gain distributions (before exclusion) not required to be reported on Schedule D, the capital gain computation schedule, including long-term capital gains distributed by regulated investment companies, mutual funds, and real estate investment trusts. The taxpayer entered 40 percent of the capital gain distribution (the amount remaining after the 60 percent exclusion) directly on Form 1040, if there were no other capital gains or losses to report.

³ Not computed.

^P Preliminary.

Figure E.—Selected Statutory Adjustments, Tax Year 1986

Selected statutory adjustments	Number of returns (thousands)	1986 Amount (millions)	Percentage change from 1985	1986 Average (dollars)	Percentage change from 1985
	(1)	(2)	(3)	(4)	(5)
Total	38,231	\$99,246	4.4%	\$2,596	3.1%
Employee business expense	7,154	19,355	5.7	2,705	7.7
Payments to an IRA	15,714	38,256	0.1	2,435	3.3
Two-earner married couple deduction	25,858	26,915	9.3	1,041	5.0

Figure F.—Selected Itemized Deductions, Tax Year 1986

Selected itemized deductions	Number of returns (thousands)	1986 Amount (millions)	Percentage change from 1985	1986 Average (dollars)	Percentage change from 1985
	(1)	(2)	(3)	(4)	(5)
Total ¹	40,839	\$446,542	10.3%	\$10,934	7.6%
Medical and dental expense	10,568	25,063	9.3	2,371	11.5
Taxes paid	40,605	144,705	13.0	3,564	10.0
State and local sales taxes	N.A.	28,063	28.4	N.A.	N.A.
Interest paid	37,375	194,451	8.0	5,203	4.8
Credit card interest	27,024	14,343	17.2	531	13.0
Home mortgage interest	29,161	125,722	9.3	4,311	5.1
Contributions	36,858	54,454	13.5	1,477	11.4
Casualty or theft deduction	246	1,349	-9.4	5,484	-7.9
Miscellaneous deduction	33,639	26,521	8.4	788	5.9
Excess itemized deductions ²	40,345	313,015	12.3	7,758	9.3

¹ Total itemized deductions are before subtraction of zero bracket amount (standard deduction).

² Excess itemized deductions are after subtraction of zero bracket amount.

N.A. = Not available

expenses, in contrast to 1985 when they increased more slowly than any other deduction category, rose 9 percent.

The interest paid deduction, the largest single component of itemized deductions, increased 8 percent. Leading the growth in the interest paid deduction was credit card interest, which rose by 17 percent followed by home mortgage interest, which rose by 9 percent. Together the deductions for credit card interest and for home mortgage interest constituted \$140 billion of the \$195 billion total interest deduction.

INCOME TAX AND TAXABLE INCOME

Total income tax (the sum of income tax after credits and the alternative minimum tax on certain tax preferences) increased by 15.6 percent from its 1985 level (see Figure G)[5]. This reflects a near doubling of the 1985 increase. Taxable income, in contrast, increased by only 8.6 percent, compared to 7.1 percent for the previous year. The percentage of Tax Year 1986 returns reporting total income tax was 81.6, which reflected little change from the previous year.

The large increase in net gains from the sale of capital assets accounts for the large increase in total income tax in relation to the change in taxable income. These gains (included in taxable income after the capital gains exclusion) increased from \$68 billion for 1985 to \$136 billion for

1986 [1]. Since most of the gains were reported on returns with an AGI of \$100,000 or more, subject to higher marginal tax rates, taxes rose disproportionately. Figure G shows the year-to-year comparisons for income tax before credits which accounted for most of total income tax. Other factors contributing to the rise in total income tax were the decrease in total tax credits (discussed below) and the increase in the alternative minimum tax.

Figure G.—Adjusted Gross Income, Taxable Income, Income Tax Before Credits, and Total Income Tax, Tax Years 1981–1986

[Billions of dollars]

Tax Year	Adjusted gross income	Taxable income	Income tax before credits	Total income tax
	(1)	(2)	(3)	(4)
1981	\$1,773	\$1,411	\$294	\$284
1982	1,852	1,473	284	278
1983	1,943	1,545	280	274
1984	2,140	1,701	307	302
1985	2,306	1,821	332	326
1986	2,523	1,977	378	377

TAX CREDITS

Total tax credits fell 25 percent from 1985 to 1986 to \$7.7 billion. The number of returns claiming credits decreased by 17 percent. Leading these declines was the more than \$3.7 billion drop in the general business credit, largely affected by its principal component, the investment credit which was repealed for most property placed in service after 1985. Thus, only 4 percent of returns with credits claimed the general business credit for 1986, compared to 22 percent for 1985. It should also be noted that TRA reduced the amount of tax that could be offset by business tax credits starting with 1986 [6]. The decline in total tax credits was also influenced by the expiration of the residential energy credit. The child care credit, the largest component of total tax credits for 1986, experienced a slowing in its growth over the past several years as shown in Figure H.

Figure H.—Child Care Credit, Tax Years 1981–1986

Tax Year	Number of returns (thousands)	Amount (millions)	Percentage change from prior year
	(1)	(2)	(3)
1981	4,578	\$1,148	20.1%
1982	5,004	1,501	30.7
1983	6,367	2,051	36.6
1984	7,546	2,649	29.2
1985	8,445	3,131	18.2
1986	9,228	3,494	11.6

SUMMARY

Income increases in 1986 were fueled by growth in salaries and wages, pensions, dividends, business income, and especially sales of capital assets, while interest income

dropped. The increase in net capital gains accounted for a significant portion of the increase in total income tax. To a lesser extent, the increase in total income tax was also influenced by the decline in total tax credits. Total statutory adjustments increased more slowly than AGI, primarily due to the lack of growth in IRA's, while total itemized deductions continued to grow.

DEFINITIONS AND TAX LAW CHANGES

In general, the definitions of the terms used are the same as those shown in the complete report, *Statistics of Income—1985, Individual Income Tax Returns*.

The following is a partial list of 1986 tax law and Internal Revenue Service administrative changes that are reflected in the preliminary data in this article. Many of these changes resulted from provisions of the Tax Reform Act of 1986. Changes made by the 1986 Act were generally effective for taxable years beginning after 1986. However, as discussed above, certain important changes either were applicable for 1986 or produced changes in behavior which affected 1986 returns.

- For 1986, nonitemizers could deduct the full amount of their charitable contributions, whereas for 1985, only one-half of their contributions were deductible.
- The residential energy credit was no longer effective for expenditures on energy-saving items made in 1986 and later years. However, unused credits carried forward from prior years could still be claimed for 1986 and 1987.
- The investment tax credit was repealed for property placed in service after 1985, with the exception of business energy property, expenditures to rehabilitate older buildings, and certain "transition property" contracted for prior to 1986.
- The 1986 tax rate schedules were indexed to reflect the effect of inflation. The amount allowed as a deduction for each exemption was also indexed, increasing from \$1,040 for 1985 to \$1,080 for 1986. The "zero bracket amount" (the standard deduction) allowed all taxpayers was increased, and each tax bracket was widened. One effect of the indexing was an increase in the filing requirement.

DATA SOURCES AND LIMITATIONS

These preliminary statistics are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ) filed in 1987. Returns in the sample were stratified based on the presence or absence of Schedule C, Profit (or Loss) from Business or Profession; Schedule F, Farm In-

come and Expenses; the larger of "total income" or "total loss," and the size of business plus farm receipts. These returns were selected at rates ranging from 0.02 percent to 100 percent. There were 74,985 returns in the 1986 preliminary sample estimating a total population of 103,299,601. The corresponding sample size and population for the preliminary 1985 data were 105,034 and 101,737,544, respectively. Sample size and population for the final 1985 data referenced in this article were 121,480 and 101,836,347, respectively.

Because the data presented in this article are estimates based on a sample of returns filed, they are subject to sampling error. To properly use the statistical data provided, the magnitude of the potential sampling error must be known. Coefficients of variation (CV's) are used to measure that magnitude.

Approximate coefficients of variation (CV's) for frequency estimates are presented in Figure I. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For a number other than those shown, the corresponding CV's can be estimated by interpolation. The reliability of estimates based on samples, and the use of coefficients of variation for evaluating the precision of estimates based on samples, are discussed in the Appendix.

Figure I.—Estimated Number of Returns for Selected Coefficients of Variation, Tax Year 1986

Number of returns	Approximate coefficient of variation
48,261,500	0.01
12,065,400	0.02
1,930,500	0.05
482,600	0.10
120,700	0.20
53,600	0.30
39,400	0.35
19,300	0.50

While these preliminary estimates are intended to represent a full year of taxpayer reporting, they are actually based on returns processed between January and late September 1987. In general, those returns processed after September (which are sampled for use in the revised estimates for the year) tend to have slightly different characteristics from those filed earlier. Compared to other returns, the characteristics of these later returns include higher income, a larger proportion of investment income (such as from capital gains), a higher average tax liability, and a larger proportion of certain other items such as the alternative minimum tax.

Figure J provides a comparison of 1985 preliminary and final data. Figure J shows, for example, that certain items, such as AGI, salaries and wages, and total income tax which are reported on most returns, changed little between preliminary and final data. This contrasts with other items, such as sales of capital assets, which tend to be understated somewhat in the preliminary estimates.

Figure J.—Comparison of Preliminary and Final Data, Tax Year 1985

(Millions of dollars)

	1985 preliminary data	1985 final data	Difference 1985 preliminary and final data	Percent difference 1985 preliminary and final data
	(1)	(2)	(3)	(4)
Adjusted gross income.....	\$2,321,890	\$2,305,951	\$ - 15,939	-0.69%
Salaries and wages.....	1,937,945	1,928,201	- 9,744	-0.50
Sales of capital assets net gain less loss (after exclusion).....	66,694	68,278	1,584	2.38
Total itemized deductions.....	401,043	405,024	3,981	0.99
Interest paid deduction.....	176,593	180,095	3,502	1.98
Total credits.....	10,433	10,248	- 185	-1.77
Additional tax for tax preferences.....	3,113	3,792	679	21.81
Total income tax.....	328,735	325,710	- 3,025	-0.92

NOTES AND REFERENCES

- [1] In addition to the gains reported on Schedule D, the capital gain computation schedule, these amounts also include capital gains distributions reported directly on the individual income tax returns.
- [2] For 1986, 60 percent of the excess of net long-term capital gains over net short-term capital losses was excluded from AGI. (In order to be "long-term", a "capital asset" had to be held for more than 6 months prior to its sale.) Forty percent of the amount was then included in AGI and subjected to a top marginal tax rate of 50 percent. The capital gains exclusion resulted in a top effective tax rate of 20 percent on this income. (In addition, 50 percent of net losses were deductible.) TRA increased the top effective rate for long-term capital gains beginning in 1987, as 100 percent of net

gains are subject to a special maximum rate of 28 percent in 1987. (For 1988 and thereafter, the top effective rate is 33 percent.)

- [3] For example, the average rate for 1-year U.S. Treasury bills at auction fell from 7.76 percent in 1985 to 6.07 percent in 1986. Interest rate data are from the Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, Volume 73, Number 3, March 1987, p. A-24.
- [4] Statutory adjustments are deductions from gross income to arrive at adjusted gross income. These deductions are for moving expenses, employee business expenses, amount allowed for a working married couple, payments to an individual retirement arrangement (IRA), payments to a self-employed retirement (Keogh) plan, forfeited interest penalty, alimony paid, foreign housing, forestation or reforestation amortization, and the repayment of supplemental unemployment benefits.
- [5] The difference between total tax liability and total income tax in Table 1 is the sum of self-employment tax, social security tax on tips, tax from recomputing prior-year investment credits, taxes from individual retirement arrangements and other taxes, reduced by the "earned income credit used to offset all other taxes".
- [6] For 1986, the amount of tax liability that could be offset by business tax credits was \$25,000, plus 75 percent of the excess over \$25,000. Previously, the amount that could be offset was \$25,000 plus 85 percent of the excess over \$25,000.

Table 1.—All Returns: Selected Income, Deduction, and Tax Items, by Size of Adjusted Gross Income
(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income			Number of returns	Adjusted gross income less deficit	Salaries and wages		Interest received		Domestic and foreign dividends received					
					Number of returns	Amount	Number of returns	Amount	Total		Dividends in adjusted gross income			
					(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns, total.....					103,299,601	2,522,516,770	88,587,385	2,046,135,265	65,488,838	168,202,347	20,910,031	65,091,946	16,751,892	63,073,757
No adjusted gross income					886,264	-32,929,844	364,486	6,688,340	627,691	2,458,156	208,771	649,685	167,464	632,445
\$1 under \$1,000					2,102,050	1,238,168	1,687,417	1,717,517	604,193	226,991	103,662	88,234	62,971	82,105
\$1,000 under \$2,000					3,356,016	5,042,736	2,740,560	4,578,051	1,133,095	647,288	286,491	120,364	234,895	106,504
\$2,000 under \$3,000					3,591,850	9,029,590	3,065,025	7,898,225	1,317,411	1,040,870	303,565	188,242	226,924	169,386
\$3,000 under \$4,000					3,201,037	11,156,625	2,654,419	9,152,095	1,458,321	1,297,806	270,975	143,567	227,666	125,576
\$4,000 under \$5,000					3,703,831	16,677,181	2,962,090	12,967,880	1,589,137	2,048,389	332,422	361,491	288,361	334,583
\$5,000 under \$6,000					3,133,542	17,199,059	2,484,374	13,389,691	1,460,444	2,216,537	332,401	382,024	287,918	357,426
\$6,000 under \$7,000					3,346,756	21,770,922	2,616,411	16,204,203	1,523,439	2,924,175	313,138	315,889	236,975	291,154
\$7,000 under \$8,000					3,104,763	23,287,575	2,395,033	17,466,682	1,531,500	3,420,618	350,778	316,112	263,432	287,782
\$8,000 under \$9,000					3,098,091	26,316,803	2,394,717	19,729,451	1,448,715	3,144,750	348,389	477,688	308,925	447,908
\$9,000 under \$10,000					3,247,383	30,781,811	2,616,558	23,734,936	1,500,996	3,369,976	353,481	461,858	287,038	431,299
\$10,000 under \$11,000					2,918,351	30,633,162	2,355,963	23,404,622	1,518,566	3,324,528	353,702	426,782	311,763	398,743
\$11,000 under \$12,000					2,820,527	32,428,574	2,303,192	25,296,623	1,551,076	3,010,334	341,902	404,601	291,326	377,723
\$12,000 under \$13,000					2,727,852	34,084,820	2,295,494	27,792,497	1,359,825	2,676,037	300,829	454,955	247,129	428,410
\$13,000 under \$14,000					2,818,051	38,043,260	2,411,110	31,021,961	1,416,830	2,944,163	368,409	715,853	310,570	684,977
\$14,000 under \$15,000					2,484,336	36,045,679	2,114,307	29,318,102	1,356,267	2,771,450	348,439	572,467	291,852	537,522
\$15,000 under \$16,000					2,434,535	37,727,119	2,098,153	30,552,687	1,335,141	3,159,314	315,735	402,455	245,748	375,903
\$16,000 under \$17,000					2,336,963	38,551,658	1,921,746	30,246,137	1,295,580	3,556,677	386,404	855,673	333,113	816,827
\$17,000 under \$18,000					2,268,581	39,687,059	1,964,732	32,319,295	1,367,678	3,300,844	353,214	631,121	279,605	602,227
\$18,000 under \$19,000					2,245,224	41,530,248	1,939,946	33,553,095	1,395,651	3,379,608	353,532	656,292	276,315	623,699
\$19,000 under \$20,000					2,072,517	40,398,028	1,758,746	32,360,113	1,370,411	3,457,401	342,037	650,251	268,982	619,038
\$20,000 under \$25,000					9,236,184	206,854,204	8,194,938	173,551,628	6,330,731	12,951,753	1,798,359	3,681,359	1,426,743	3,515,340
\$25,000 under \$30,000					7,546,056	207,521,896	6,614,619	182,619,869	5,684,881	11,164,601	1,538,309	2,436,373	1,183,420	2,301,030
\$30,000 under \$40,000					11,535,409	339,681,247	10,768,507	356,781,160	9,509,107	18,127,641	3,064,206	4,817,215	2,347,413	4,562,443
\$40,000 under \$50,000					7,515,514	334,720,916	6,987,499	296,434,304	6,726,761	15,313,972	2,630,950	5,106,527	1,979,535	4,847,313
\$50,000 under \$75,000					6,472,320	384,276,545	5,955,714	332,287,875	6,066,488	19,747,578	3,049,442	8,224,413	2,415,645	7,876,297
\$75,000 under \$100,000					1,543,398	131,616,441	1,344,352	100,633,324	1,493,498	9,883,721	973,987	5,028,146	848,805	4,893,108
\$100,000 under \$200,000					1,152,431	152,495,909	964,131	100,825,639	1,123,271	11,261,476	855,593	7,345,415	775,240	7,222,521
\$200,000 under \$500,000					306,148	87,234,337	240,730	45,819,638	301,288	7,262,756	257,001	8,100,064	244,390	8,060,404
\$500,000 under \$1,000,000					56,746	37,140,282	39,417	12,595,943	56,190	3,470,760	50,390	2,414,634	48,868	2,406,146
\$1,000,000 or more					35,875	82,274,749	22,952	13,193,699	35,676	4,632,177	33,518	8,661,808	32,861	8,655,879
Taxable returns, total					84,324,468	2,472,676,335	73,706,983	1,976,634,622	57,946,252	155,392,480	19,069,327	62,357,068	15,320,362	60,481,976
Non-taxable returns, total					18,975,133	49,840,434	14,880,365	69,500,664	7,543,586	12,809,868	1,841,704	2,734,879	1,431,530	2,591,782

Footnote(s) at end of table.

Table 1.—All Returns: Selected Income, Deduction, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	State income tax refunds		Alimony received		Business or profession net profit less loss		Pensions and annuities in adjusted gross income		Farm net profit less loss	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
All returns, total.....	21,394,256	9,858,296	437,652	3,102,724	12,431,364	90,367,239	14,849,501	108,502,091	2,532,815	- 6,907,476
No adjusted gross income.....	71,889	95,887	274	1,576	426,175	- 5,087,541	71,000	529,176	265,119	- 4,428,704
\$1 under \$1,000.....	* 7,822	* 4,308	—	—	153,952	- 23,082	* 12,778	* 23,497	27,535	65,005
\$1,000 under \$2,000.....	34,047	7,815	—	—	207,086	105,612	84,901	83,986	* 20,756	* - 64,339
\$2,000 under \$3,000.....	38,590	12,371	* 4,827	* 4,344	167,762	119,703	152,202	240,701	46,402	- 61,850
\$3,000 under \$4,000.....	36,437	9,860	* 4,827	* 14,481	264,316	429,497	189,295	419,076	88,230	- 119,894
\$4,000 under \$5,000.....	85,237	23,108	* 14,482	* 39,824	248,732	437,211	344,614	1,019,447	54,322	- 298,815
\$5,000 under \$6,000.....	78,485	18,444	* 12,779	* 40,054	310,442	717,353	339,908	892,720	74,105	- 17,314
\$6,000 under \$7,000.....	114,860	36,020	* 25,555	* 102,907	294,901	896,328	445,036	1,565,640	71,167	- 300,842
\$7,000 under \$8,000.....	120,622	16,952	* 4,827	* 3,862	257,183	1,141,350	419,135	1,650,730	77,677	- 229,899
\$8,000 under \$9,000.....	116,064	35,664	* 3,123	* 4,685	297,863	1,073,993	513,906	2,339,095	41,887	- 107,666
\$9,000 under \$10,000.....	180,782	34,979	* 19,308	* 54,738	277,674	1,045,351	524,463	2,324,941	36,152	- 97,545
\$10,000 under \$11,000.....	175,450	66,702	* 17,604	* 100,894	235,350	879,354	494,293	2,615,322	* 41,132	* - 74,460
\$11,000 under \$12,000.....	256,882	54,261	* 12,777	* 58,846	232,878	890,604	521,399	2,928,955	31,247	- 255,805
\$12,000 under \$13,000.....	188,314	45,072	* 14,482	* 19,311	231,737	1,099,505	430,045	2,505,051	59,436	- 116,814
\$13,000 under \$14,000.....	237,330	60,642	* 27,259	* 173,210	188,601	691,858	420,198	2,983,554	* 35,339	* - 67,809
\$14,000 under \$15,000.....	210,817	54,150	* 3,123	* 14,241	269,380	1,024,896	412,636	3,085,926	48,419	- 106,345
\$15,000 under \$16,000.....	263,582	56,334	* 4,828	* 28,968	269,768	1,463,392	334,717	2,307,385	65,347	69,067
\$16,000 under \$17,000.....	308,370	74,627	* 9,654	* 23,715	245,517	1,116,561	404,977	2,816,623	69,385	- 4,269
\$17,000 under \$18,000.....	333,537	73,753	* 9,654	* 5,112	253,537	1,366,057	368,310	2,698,764	36,684	- 75,893
\$18,000 under \$19,000.....	339,598	84,020	* 8,602	* 34,480	239,716	1,352,279	390,147	2,734,065	38,813	32,229
\$19,000 under \$20,000.....	315,901	104,691	* 4,827	* 4,282	232,912	1,450,244	326,521	2,381,379	90,111	- 230,258
\$20,000 under \$25,000.....	2,079,745	591,362	64,741	383,739	1,184,684	7,403,634	1,481,915	12,034,211	230,046	- 355,312
\$25,000 under \$30,000.....	2,364,103	772,912	56,368	466,571	1,020,370	5,630,493	1,101,795	8,870,543	227,073	144,099
\$30,000 under \$40,000.....	4,977,226	1,713,768	72,285	926,134	1,779,083	10,941,544	1,777,912	14,132,487	305,707	232,304
\$40,000 under \$50,000.....	3,721,034	1,542,456	16,864	111,563	1,112,153	9,650,074	1,361,175	12,637,023	155,320	165,107
\$50,000 under \$75,000.....	3,262,691	1,809,595	14,551	330,132	1,220,135	16,136,757	1,298,091	13,507,855	159,023	327,806
\$75,000 under \$100,000.....	740,463	675,393	* 5,380	* 50,759	351,605	8,523,208	324,147	4,058,868	59,062	52,332
\$100,000 under \$200,000.....	551,156	847,218	3,793	60,143	334,628	13,442,152	243,597	3,655,269	44,728	- 195,032
\$200,000 under \$500,000.....	136,573	478,335	617	30,172	83,871	4,578,583	47,686	965,175	17,874	- 256,104
\$500,000 under \$1,000,000.....	32,190	210,510	173	5,355	22,431	1,196,063	8,044	219,663	12,188	- 254,097
\$1,000,000 or more.....	14,459	247,086	68	8,627	16,922	674,206	4,658	274,967	2,529	- 276,357
Taxable returns, total.....	20,574,419	9,459,328	380,775	2,951,271	10,119,365	90,328,778	13,147,772	102,105,395	1,758,931	- 2,091,334
Nontaxable returns, total.....	819,837	398,968	56,877	151,453	2,311,999	38,461	1,701,729	6,396,696	773,884	- 4,816,143

Footnote(s) at end of table.

Table 1.—All Returns: Selected Income, Deduction, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Sales of capital assets reported on Schedule D									
	Returns with short-term capital gain or loss				Returns with long-term capital gain or loss				Sales of capital assets Net gain less loss (after exclusion)	
	Net short-term gain		Net short-term loss		Net long-term gain		Net long-term loss		Number of returns	Amount
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount		
	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
All returns, total.....	1,931,765	7,690,239	1,856,236	15,185,792	10,360,227	326,750,722	1,712,188	17,484,388	12,936,506	135,005,278
No adjusted gross income	31,315	301,670	28,159	853,933	220,658	9,721,307	51,880	2,718,007	227,744	4,143,821
\$1 under \$1,000.....	*1,350	*17,988	*10,316	*345,474	37,578	357,194	*10,306	*2,581	37,578	156,514
\$1,000 under \$2,000.....	*9,738	*17,743	*8,010	*6,176	115,115	306,521	*7,951	*6,887	119,943	140,388
\$2,000 under \$3,000.....	*26,040	*28,900	*9,654	*22,880	144,925	380,939	*33,795	*97,375	173,888	119,441
\$3,000 under \$4,000.....	*24,934	*42,450	*654	*2,033	98,570	346,641	*23,909	*62,667	111,350	162,742
\$4,000 under \$5,000.....	*12,777	*2,798	*12,517	*27,987	173,187	691,027	*32,929	*146,681	206,116	237,447
\$5,000 under \$6,000.....	*7,950	*2,567	*27,931	*32,594	112,739	297,969	43,520	245,753	169,037	83,059
\$6,000 under \$7,000.....	*11,076	*24,057	*14,066	*149,773	114,004	380,061	*9,656	*65,632	144,388	110,882
\$7,000 under \$8,000.....	*14,482	*34,272	*29,417	*97,847	167,595	682,575	*9,659	*6,576	185,205	261,761
\$8,000 under \$9,000.....	*12,837	*8,569	*9,855	*42,688	137,205	659,031	*25,349	*567,745	169,484	215,448
\$9,000 under \$10,000.....	*13,058	*13,938	32,716	105,568	138,560	549,735	*19,304	*99,376	167,519	173,510
\$10,000 under \$11,000.....	*4,885	*6,962	*11,629	*109,249	157,956	501,156	*13,630	*240,776	186,067	154,172
\$11,000 under \$12,000.....	*14,483	*24,256	*17,801	*65,023	142,788	706,168	*16,753	*71,942	169,847	279,432
\$12,000 under \$13,000.....	*16,487	*6,730	*24,404	*35,789	175,229	1,062,688	*33,215	*139,022	208,444	386,201
\$13,000 under \$14,000.....	*31,223	*48,457	*30,908	*141,573	136,055	1,054,583	45,705	287,565	191,416	325,026
\$14,000 under \$15,000.....	*21,094	*16,673	*21,861	*623,660	100,452	395,232	33,311	86,672	144,906	127,407
\$15,000 under \$16,000.....	*22,931	*12,574	*25,626	*451,819	190,093	1,053,834	*26,628	*1,560,168	234,327	291,667
\$16,000 under \$17,000.....	*12,976	*14,344	*23,528	*225,036	188,748	1,117,674	*19,309	*58,469	214,315	374,294
\$17,000 under \$18,000.....	29,298	25,916	*19,130	*135,787	159,149	779,763	*29,159	*310,055	196,624	299,917
\$18,000 under \$19,000.....	*18,964	*11,038	40,522	182,926	181,870	1,082,108	*31,238	*63,129	245,193	350,389
\$19,000 under \$20,000.....	*32,096	*47,857	*17,604	*11,710	180,818	1,104,905	*12,419	*33,532	213,111	473,192
\$20,000 under \$25,000.....	119,925	293,694	135,181	1,485,812	756,778	5,287,941	135,442	1,304,274	1,000,277	2,002,771
\$25,000 under \$30,000.....	151,301	238,857	139,362	648,127	764,501	5,440,304	142,652	633,631	967,447	2,064,757
\$30,000 under \$40,000.....	270,920	409,183	230,011	1,007,578	1,343,309	11,819,622	224,395	1,236,337	1,737,892	4,674,593
\$40,000 under \$50,000.....	222,763	423,749	204,360	1,033,649	1,160,053	11,842,324	227,015	2,917,454	1,524,812	4,730,024
\$50,000 under \$75,000.....	369,075	735,129	305,162	2,426,134	1,634,547	25,087,351	259,819	1,977,732	2,041,673	9,786,589
\$75,000 under \$100,000.....	150,693	457,254	151,420	1,078,767	648,911	18,963,763	90,810	787,872	797,406	7,842,718
\$100,000 under \$200,000.....	176,897	969,276	186,126	2,155,500	671,714	43,761,702	80,627	954,366	801,363	17,966,171
\$200,000 under \$500,000.....	69,828	865,884	61,550	871,621	224,584	43,308,020	18,423	433,351	261,160	18,449,815
\$500,000 under \$1,000,000.....	12,761	458,265	19,565	355,165	49,405	29,088,892	2,402	105,196	53,156	12,134,028
\$1,000,000 or more.....	17,608	2,129,187	7,191	453,915	33,131	108,919,691	978	263,566	34,818	46,487,099
Taxable returns, total.....	1,827,062	7,320,486	1,708,601	12,891,407	9,392,436	316,229,500	1,471,208	13,150,044	11,796,646	130,928,747
Nontaxable returns, total	104,703	369,752	147,635	2,294,385	967,791	10,521,222	240,980	4,334,344	1,139,860	4,076,530

Footnote(s) at end of table.

Footnote(s) at end of table.

Size of adjusted gross income	Unemployment compensation				Social Security income in AGI		Statutory adjustments			
	Total		In adjusted gross income		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	Number of returns	Amount	Number of returns	Amount						
					(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
All returns, total.....	8,258,783	14,176,329	5,134,328	7,033,387	3,225,302	10,879,322	38,231,054	99,246,133	7,154,225	19,354,602
No adjusted gross income	49,584	106,480	—	—	310	1,617	96,874	347,817	15,478	156,757
\$1 under \$1,000.....	*41,741	*106,505	—	—	**	**	—	*49,838	*3,775	*27,789
\$1,000 under \$2,000.....	132,398	287,092	—	—	—	—	50,622	63,123	*5,024	*6,769
\$2,000 under \$3,000.....	335,880	625,284	—	—	—	—	82,188	131,682	*15,901	*82,750
\$3,000 under \$4,000.....	266,988	538,626	—	—	—	—	138,636	177,825	*27,259	*45,771
\$4,000 under \$5,000.....	247,607	—	—	—	—	—	194,302	269,679	47,987	112,324
\$5,000 under \$6,000.....	274,575	485,938	*9,654	*9,963	**4,829	**1,600	199,977	318,207	51,591	189,910
\$6,000 under \$7,000.....	380,724	540,653	*9,654	*12,063	—	—	253,985	270,847	57,356	89,712
\$7,000 under \$8,000.....	284,877	510,306	*14,482	*8,583	*4,827	*12,854	350,977	389,277	46,283	102,091
\$8,000 under \$9,000.....	292,960	550,598	*23,388	*13,830	—	—	364,131	514,904	76,290	219,178
\$9,000 under \$10,000.....	239,571	408,232	*17,605	*5,564	—	—	356,165	390,647	65,309	106,676
\$10,000 under \$11,000.....	325,274	517,666	51,394	24,278	*4,827	*9,427	442,001	421,153	93,446	149,539
\$11,000 under \$12,000.....	224,886	402,459	65,876	43,686	—	—	497,209	547,028	83,199	137,628
\$12,000 under \$13,000.....	246,536	512,542	113,579	74,169	—	—	482,986	667,756	94,914	220,119
\$13,000 under \$14,000.....	200,663	286,622	118,972	103,224	—	—	607,680	852,829	103,970	305,556
\$14,000 under \$15,000.....	228,864	357,017	113,864	122,106	—	—	600,097	938,141	113,176	337,539
\$15,000 under \$16,000.....	226,308	423,896	163,840	188,329	*72	*351	646,770	1,048,106	148,757	435,763
\$16,000 under \$17,000.....	232,658	357,330	160,915	151,095	*4,827	*2,360	576,482	734,167	115,215	198,552
\$17,000 under \$18,000.....	171,968	270,991	154,364	154,770	—	—	726,032	984,657	129,465	266,636
\$18,000 under \$19,000.....	189,105	299,823	189,105	191,027	*9,654	*39,881	636,879	868,841	113,584	242,221
\$19,000 under \$20,000.....	178,577	319,349	178,577	240,137	*3,124	*428	772,379	1,109,344	152,578	347,356
\$20,000 under \$25,000.....	926,999	1,565,328	323,595	1,350,482	137,522	139,345	4,050,772	6,776,788	770,013	1,871,172
\$25,000 under \$30,000.....	760,432	1,219,822	760,432	1,199,908	428,521	645,338	4,280,717	7,529,607	769,954	1,742,878
\$30,000 under \$40,000.....	1,098,285	1,698,751	1,098,285	1,691,032	948,180	2,526,949	7,749,722	16,517,033	1,341,288	3,075,375
\$40,000 under \$50,000.....	584,980	882,708	584,980	882,704	659,686	2,518,880	9,979,721	16,119,469	1,018,728	2,513,474
\$50,000 under \$75,000.....	334,685	482,074	334,685	482,071	582,526	2,572,937	5,537,103	22,423,127	1,117,885	3,346,635
\$75,000 under \$100,000.....	32,748	50,106	32,748	50,105	190,500	972,769	1,295,480	7,685,539	294,555	1,378,668
\$100,000 under \$200,000.....	11,971	27,897	11,971	27,897	176,780	1,019,527	953,686	8,096,579	229,569	1,202,363
\$200,000 under \$500,000.....	2,136	5,856	2,136	5,856	53,516	316,807	229,262	2,197,018	43,452	324,917
\$500,000 under \$1,000,000.....	162	374	162	374	9,673	58,559	44,135	499,863	5,740	64,394
\$1,000,000 or more.....	65	115	65	115	5,928	39,693	19,308	307,229	2,484	54,091
Taxable returns, total.....	6,796,110	11,062,244	5,103,354	7,000,569	3,195,157	10,781,512	36,633,376	96,914,021	6,943,661	18,420,651
Nontaxable returns, total	1,462,653	3,114,085	30,974	32,799	30,145	87,810	1,597,678	2,332,112	210,564	933,951

Table 1.—All Returns: Selected Income, Deduction, and Tax Items, by Size of Adjusted Gross Income—Continued
(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Statutory adjustments—Continued						Exemptions	
	Payments to an individual retirement arrangement		Payments to a Keogh Plan		Alimony paid		Deduction for working married couple	
	Number of returns (41)	Amount (42)	Number of returns (43)	Amount (44)	Number of returns (45)	Amount (46)	Number of returns (47)	Amount (48)
All returns, total.....	15,714,041	38,255,838	772,478	6,178,104	573,106	3,650,996	25,858,054	26,915,348
No adjusted gross income.....	34,046	51,900	3,449	21,530	3,388	60,521	36,934	23,244
\$1 under \$1,000.....	*5,053	*12,662	*651	*3,017	*4,829	*5,824	*911	*579
\$1,000 under \$2,000.....	*18,821	*36,444	—	—	—	—	*18,139	*8,660
\$2,000 under \$3,000.....	*25,790	*42,500	—	—	—	—	48,184	3,872
\$3,000 under \$4,000.....	39,958	74,387	*233	*610	*73	*1,401	44,285	7,610
\$4,000 under \$5,000.....	40,405	72,138	—	—	*9,655	*47,210	67,578	9,423
\$5,000 under \$6,000.....	47,705	60,679	—	—	—	—	82,406	10,951
\$6,000 under \$7,000.....	83,276	133,743	—	—	—	—	120,245	18,885
\$7,000 under \$8,000.....	103,101	197,690	*58	*1,392	*58	*766	180,436	36,946
\$8,000 under \$9,000.....	114,060	165,833	*3,182	*5,263	*12,836	*82,494	170,731	42,520
\$9,000 under \$10,000.....	95,763	158,214	*1,901	*7,604	*7,951	*9,722	182,514	45,311
\$10,000 under \$11,000.....	114,985	170,432	*2,755	*10,733	*710	*7,239	240,842	57,090
\$11,000 under \$12,000.....	173,769	278,268	*8,147	*24,843	*6,104	*16,578	252,710	59,624
\$12,000 under \$13,000.....	129,588	263,384	*4,828	*9,656	*651	*3,906	285,085	88,952
\$13,000 under \$14,000.....	168,053	298,354	*6,925	*14,435	*12,777	*34,105	317,611	109,914
\$14,000 under \$15,000.....	156,324	347,026	*3,802	*16,037	—	—	365,105	150,987
\$15,000 under \$16,000.....	180,168	379,015	*6,728	*1,887	*11,074	*21,902	371,230	138,194
\$16,000 under \$17,000.....	190,979	317,952	*5,677	*14,517	—	—	299,934	124,345
\$17,000 under \$18,000.....	251,345	433,227	*6,260	*6,466	*3,406	*33,645	385,064	188,722
\$18,000 under \$19,000.....	184,210	350,553	*5,703	*8,495	*4,827	*3,862	403,695	203,972
\$19,000 under \$20,000.....	230,542	438,212	*1,901	*5,283	*8,428	*40,088	486,959	241,258
\$20,000 under \$25,000.....	1,293,406	2,488,060	40,122	90,779	86,479	275,564	2,578,555	1,618,475
\$25,000 under \$30,000.....	1,424,058	2,878,171	40,438	104,351	30,209	149,726	2,896,681	2,247,564
\$30,000 under \$40,000.....	2,877,243	6,473,532	105,299	341,125	101,384	474,466	5,611,348	5,594,689
\$40,000 under \$50,000.....	2,523,732	6,369,007	80,277	307,093	58,212	267,974	4,691,800	6,129,779
\$50,000 under \$75,000.....	3,132,636	9,214,953	169,013	944,619	94,319	651,479	4,246,118	7,211,634
\$75,000 under \$100,000.....	985,862	3,138,255	104,346	902,069	41,674	384,191	836,409	1,504,476
\$100,000 under \$200,000.....	829,892	2,610,477	129,321	2,355,840	49,394	607,088	508,288	844,642
\$200,000 under \$500,000.....	202,684	623,365	32,797	704,136	19,995	315,871	98,150	143,820
\$500,000 under \$1,000,000.....	40,037	128,586	5,544	169,361	2,869	92,504	22,722	180,719
\$1,000,000 or more.....	16,550	48,817	3,119	106,962	1,804	82,866	7,585	11,345
Taxable returns, total.....	15,367,468	37,598,019	754,074	6,103,699	555,110	3,509,902	24,805,661	26,803,039
Nontaxable returns, total.....	346,573	657,819	18,402	74,406	17,996	141,094	1,052,393	312,309
Total.....	15,714,041	38,255,838	772,478	6,178,104	573,106	3,650,996	25,858,054	26,915,348
All returns, total.....	15,714,041	38,255,838	772,478	6,178,104	573,106	3,650,996	25,858,054	26,915,348
No adjusted gross income.....	34,046	51,900	3,449	21,530	3,388	60,521	36,934	23,244
\$1 under \$1,000.....	*5,053	*12,662	*651	*3,017	*4,829	*5,824	*911	*579
\$1,000 under \$2,000.....	*18,821	*36,444	—	—	—	—	*18,139	*8,660
\$2,000 under \$3,000.....	*25,790	*42,500	—	—	—	—	48,184	3,872
\$3,000 under \$4,000.....	39,958	74,387	*233	*610	*73	*1,401	44,285	7,610
\$4,000 under \$5,000.....	40,405	72,138	—	—	*9,655	*47,210	67,578	9,423
\$5,000 under \$6,000.....	47,705	60,679	—	—	—	—	82,406	10,951
\$6,000 under \$7,000.....	83,276	133,743	—	—	—	—	120,245	18,885
\$7,000 under \$8,000.....	103,101	197,690	*58	*1,392	*58	*766	180,436	36,946
\$8,000 under \$9,000.....	114,060	165,833	*3,182	*5,263	*12,836	*82,494	170,731	42,520
\$9,000 under \$10,000.....	95,763	158,214	*1,901	*7,604	*7,951	*9,722	182,514	45,311
\$10,000 under \$11,000.....	114,985	170,432	*2,755	*10,733	*710	*7,239	240,842	57,090
\$11,000 under \$12,000.....	173,769	278,268	*8,147	*24,843	*6,104	*16,578	252,710	59,624
\$12,000 under \$13,000.....	129,588	263,384	*4,828	*9,656	*651	*3,906	285,085	88,952
\$13,000 under \$14,000.....	168,053	298,354	*6,925	*14,435	*12,777	*34,105	317,611	109,914
\$14,000 under \$15,000.....	156,324	347,026	*3,802	*16,037	—	—	365,105	150,987
\$15,000 under \$16,000.....	180,168	379,015	*6,728	*1,887	*11,074	*21,902	371,230	138,194
\$16,000 under \$17,000.....	190,979	317,952	*5,677	*14,517	—	—	299,934	124,345
\$17,000 under \$18,000.....	251,345	433,227	*6,260	*6,466	*3,406	*33,645	385,064	188,722
\$18,000 under \$19,000.....	184,210	350,553	*5,703	*8,495	*4,827	*3,862	403,695	203,972
\$19,000 under \$20,000.....	230,542	438,212	*1,901	*5,283	*8,428	*40,088	486,959	241,258
\$20,000 under \$25,000.....	1,293,406	2,488,060	40,122	90,779	86,479	275,564	2,578,555	1,618,475
\$25,000 under \$30,000.....	1,424,058	2,878,171	40,438	104,351	30,209	149,726	2,896,681	2,247,564
\$30,000 under \$40,000.....	2,877,243	6,473,532	105,299	341,125	101,384	474,466	5,611,348	5,594,689
\$40,000 under \$50,000.....	2,523,732	6,369,007	80,277	307,093	58,212	267,974	4,691,800	6,129,779
\$50,000 under \$75,000.....	3,132,636	9,214,953	169,013	944,619	94,319	651,479	4,246,118	7,211,634
\$75,000 under \$100,000.....	985,862	3,138,255	104,346	902,069	41,674	384,191	836,409	1,504,476
\$100,000 under \$200,000.....	829,892	2,610,477	129,321	2,355,840	49,394	607,088	508,288	844,642
\$200,000 under \$500,000.....	202,684	623,365	32,797	704,136	19,995	315,871	98,150	143,820
\$500,000 under \$1,000,000.....	40,037	128,586	5,544	169,361	2,869	92,504	22,722	180,719
\$1,000,000 or more.....	16,550	48,817	3,119	106,962	1,804	82,866	7,585	11,345
Taxable returns, total.....	15,367,468	37,598,019	754,074	6,103,699	555,110	3,509,902	24,805,661	26,803,039
Nontaxable returns, total.....	346,573	657,819	18,402	74,406	17,996	141,094	1,052,393	312,309
Total.....	15,714,041	38,255,838	772,478	6,178,104	573,106	3,650,996	25,858,054	26,915,348

Footnote(s) at end of table.

Table 1.—All Returns: Selected Income, Deduction, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Contributions deduction for nonitemizers		Returns with itemized deductions							
	Number of returns	Amount	Number of returns	Total itemized deductions	Medical and dental expense deduction		Taxes paid deduction		Interest paid deduction	
					Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)
All returns, total.....	28,188,299	13,384,679	40,838,502	446,542,466	10,568,264	25,062,523	40,604,643	144,704,846	37,374,788	194,451,076
No adjusted gross income	—	—	—	—	—	—	—	—	—	—
\$1 under \$1,000.....	82,442	9,337	38,970	395,921	29,520	222,827	29,894	60,560	20,241	95,266
\$1,000 under \$2,000.....	316,333	32,912	136,411	336,828	30,851	63,328	126,757	69,229	35,038	176,325
\$2,000 under \$3,000.....	445,517	65,293	153,832	396,497	23,067	214,952	124,857	43,007	23,497	61,253
\$3,000 under \$4,000.....	726,081	113,718	188,178	712,984	91,199	182,553	165,747	130,498	97,162	220,870
\$4,000 under \$5,000.....	1,030,826	225,056	215,689	1,095,934	110,717	306,207	198,084	237,836	108,073	251,206
\$5,000 under \$6,000.....	962,688	288,542	237,865	1,057,297	160,044	470,635	228,957	188,054	115,984	223,064
\$6,000 under \$7,000.....	1,167,949	349,393	310,170	1,694,540	230,297	627,939	300,514	271,198	207,377	544,270
\$7,000 under \$8,000.....	1,148,984	425,070	293,098	1,866,635	219,239	919,711	277,463	321,988	186,898	424,033
\$8,000 under \$9,000.....	1,301,372	495,025	316,114	2,137,280	238,170	729,810	301,633	441,683	234,335	705,215
\$9,000 under \$10,000.....	1,431,426	483,712	453,115	2,706,955	283,071	946,092	446,387	507,697	359,128	954,289
\$10,000 under \$11,000.....	1,309,329	504,508	420,127	2,781,960	260,249	856,161	410,473	532,553	299,021	1,086,661
\$11,000 under \$12,000.....	1,314,483	465,679	481,939	3,006,634	300,758	912,547	472,285	661,817	387,037	1,059,707
\$12,000 under \$13,000.....	1,214,095	616,356	452,386	2,886,245	288,309	851,376	447,548	584,466	362,711	1,110,941
\$13,000 under \$14,000.....	1,290,415	505,176	506,942	3,152,140	282,851	649,401	497,288	704,915	457,251	1,345,383
\$14,000 under \$15,000.....	1,044,997	448,375	590,922	3,465,400	321,084	525,218	590,922	880,933	544,222	1,504,542
\$15,000 under \$16,000.....	989,795	463,732	568,310	3,581,577	308,291	640,703	568,310	896,233	494,006	1,603,840
\$16,000 under \$17,000.....	1,112,563	672,132	578,946	3,422,432	274,574	588,459	569,291	877,894	486,658	1,425,997
\$17,000 under \$18,000.....	913,451	419,952	694,881	4,252,176	301,222	579,048	690,054	1,117,350	667,619	1,902,010
\$18,000 under \$19,000.....	900,497	469,126	729,048	4,659,780	342,098	715,202	729,048	1,197,705	662,494	2,092,508
\$19,000 under \$20,000.....	936,819	491,187	668,746	4,494,128	348,295	643,720	663,908	1,156,731	574,604	2,027,323
\$20,000 under \$25,000.....	3,348,514	1,843,722	4,002,130	26,831,992	1,382,838	2,482,382	3,991,623	7,403,009	3,736,747	12,322,358
\$25,000 under \$30,000.....	2,056,236	1,226,893	4,437,020	32,746,510	1,214,796	1,880,368	4,433,616	10,336,226	4,171,660	15,168,327
\$30,000 under \$40,000.....	2,052,273	1,460,518	8,673,976	75,634,993	1,711,843	3,109,831	8,661,863	24,398,528	8,287,399	36,207,970
\$40,000 under \$50,000.....	723,810	679,392	6,586,324	70,190,912	952,581	2,097,018	6,581,185	23,625,439	6,346,258	33,669,888
\$50,000 under \$75,000.....	295,671	416,610	6,099,076	85,862,074	668,557	2,225,974	6,098,211	29,689,271	5,788,032	39,995,981
\$75,000 under \$100,000.....	44,111	112,759	1,493,557	30,710,158	124,949	610,637	1,488,826	10,780,877	1,366,978	13,875,752
\$100,000 under \$200,000.....	24,387	41,425	1,120,907	34,484,237	60,235	759,139	1,120,286	12,393,355	1,027,971	14,328,477
\$200,000 under \$500,000.....	2,591	28,925	298,073	19,366,052	7,882	225,712	297,921	7,071,655	259,318	5,902,545
\$500,000 under \$1,000,000.....	548	6,932	56,049	6,633,793	542	17,202	56,012	2,704,432	42,316	1,760,045
\$1,000,000 or more.....	96	3,221	35,701	15,978,399	135	8,370	35,680	5,419,708	24,753	2,405,032
Taxable returns, total.....	24,680,460	12,081,028	38,840,967	423,996,475	9,154,880	17,912,599	38,689,911	141,398,656	35,812,872	185,565,840
Nontaxable returns, total	3,507,839	1,283,651	1,997,535	22,545,991	1,413,384	7,149,924	1,914,732	3,306,190	1,561,916	8,885,236

Footnote(s) at end of table.

Table 1.—All Returns: Selected Income, Deduction, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Returns with itemized deductions—Continued						Taxable income		Income tax before credit	
	Contributions deduction		Miscellaneous deductions		Net casualty or theft loss		Number of returns	Amount	Number of returns	Amount
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount				
	(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	(69)	(70)
All returns, total.....	36,857,590	54,454,472	33,639,153	26,520,926	245,521	1,348,622	97,742,435	1,976,811,955	86,975,883	378,422,425
No adjusted gross income	—	—	—	—	—	—	—	—	631	6,501
\$1 under \$1,000	25,863	8,809	*11,988	*8,461	—	—	*3,123	*3,157	—	—
\$1,000 under \$2,000	58,377	15,068	35,821	12,806	*4,827	*72	2,492,703	1,635,249	211,046	16,608
\$2,000 under \$3,000	49,339	24,881	55,869	32,541	*4,827	*19,863	3,082,923	4,457,624	205,861	39,682
\$3,000 under \$4,000	119,107	68,255	93,378	102,795	*4,827	*8,013	2,901,245	6,268,227	917,660	77,459
\$4,000 under \$5,000	125,674	45,038	118,948	54,378	*3,381	*201,270	3,483,016	10,050,514	2,488,820	250,603
\$5,000 under \$6,000	178,802	113,326	132,025	57,693	*4,080	*4,525	3,028,758	10,784,507	2,386,056	427,886
\$6,000 under \$7,000	225,264	128,164	213,909	120,025	*4,827	*2,944	3,238,202	13,850,171	2,599,721	713,512
\$7,000 under \$8,000	239,801	134,545	197,602	64,818	*4,827	*1,540	3,029,628	15,502,731	2,519,339	941,673
\$8,000 under \$9,000	249,846	155,163	205,006	90,760	*3,123	*14,650	3,028,713	18,264,193	2,754,827	1,277,084
\$9,000 under \$10,000	343,314	189,922	315,396	94,720	*3,404	*14,236	3,203,974	21,940,615	3,030,429	1,688,200
\$10,000 under \$11,000	322,176	163,664	310,972	142,922	—	—	2,865,466	22,107,066	2,751,596	1,843,298
\$11,000 under \$12,000	376,566	250,414	328,455	122,149	—	—	2,792,898	23,906,526	2,741,216	2,107,991
\$12,000 under \$13,000	349,814	243,558	345,916	95,904	—	—	2,686,718	25,705,333	2,640,095	2,437,834
\$13,000 under \$14,000	405,828	275,365	357,073	173,812	*4,827	*3,263	2,800,455	29,448,888	2,764,568	2,928,709
\$14,000 under \$15,000	493,761	358,197	432,494	193,343	*8,206	*3,167	2,474,883	27,709,156	2,450,309	*2,806,327
\$15,000 under \$16,000	481,914	305,027	450,994	133,167	*4,827	*2,607	2,420,273	29,322,968	2,388,235	3,121,343
\$16,000 under \$17,000	474,662	346,740	415,187	181,411	*4,828	*1,931	2,326,808	30,403,615	2,316,944	3,424,762
\$17,000 under \$18,000	604,804	473,310	524,170	159,495	*9,085	*20,962	2,254,590	31,545,313	2,248,269	3,632,353
\$18,000 under \$19,000	651,016	437,093	583,309	207,289	*4,827	*9,982	2,232,636	33,030,128	2,224,987	3,898,782
\$19,000 under \$20,000	603,244	465,630	506,631	182,888	*19,668	*17,835	2,068,231	32,060,505	2,048,924	3,881,033
\$20,000 under \$25,000	3,570,170	2,737,270	3,252,802	1,682,343	49,264	204,630	9,211,880	165,677,466	9,195,576	21,436,577
\$25,000 under \$30,000	3,940,153	3,211,785	3,690,900	2,064,158	*19,319	*85,646	7,535,552	165,342,856	7,521,190	23,319,130
\$30,000 under \$40,000	7,968,249	7,049,359	7,397,383	4,674,717	22,522	194,588	11,520,669	315,275,596	11,515,133	49,456,626
\$40,000 under \$50,000	6,193,731	6,670,890	5,735,522	4,070,039	23,100	57,639	7,509,180	261,481,959	7,508,443	46,409,154
\$50,000 under \$75,000	5,890,763	8,831,215	5,326,120	4,750,865	27,650	368,768	6,462,756	297,565,471	6,460,340	63,084,828
\$75,000 under \$100,000	1,449,646	3,577,948	1,292,293	1,829,411	6,721	35,534	1,540,004	100,413,647	1,539,349	26,150,534
\$100,000 under \$200,000	1,086,860	4,682,696	970,656	2,278,565	2,156	42,005	1,149,646	117,868,659	1,148,885	38,261,042
\$200,000 under \$500,000	289,213	4,740,952	256,679	1,412,837	311	12,351	305,239	68,410,763	305,167	28,213,668
\$500,000 under \$1,000,000	54,590	1,745,972	49,475	400,387	46	5,755	56,498	30,526,547	56,496	14,132,308
\$1,000,000 or more	35,043	7,004,215	32,180	1,126,228	41	14,847	35,768	66,252,503	35,771	32,436,923
Taxable returns, total.....	35,281,170	53,005,949	32,294,774	25,479,440	209,844	633,991	84,283,093	1,945,833,418	84,291,897	377,472,807
Nontaxable returns, total	1,576,420	1,448,523	1,344,379	1,041,486	35,677	714,631	13,459,342	30,878,537	2,683,986	949,618

Footnote(s) at end of table.

Table 1.—All Returns: Selected Income, Deduction, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Total tax credits		Income tax after credits		Alternative minimum tax		Total income tax				Total tax liability	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Percent of all returns	Amount	Average dollars	Number of returns	Amount
	(71)	(72)	(73)	(74)	(75)	(76)	(77)	(78)	(79)	(80)	(81)	(82)
All returns, total.....	17,374,053	7,654,831	84,264,923	370,932,395	579,810	6,115,470	84,324,468	81.6	377,050,937	4,471	86,115,653	390,795,560
No adjusted gross income.....	(¹)	(¹)	*546	*6,366	12,542	200,814	13,250	1.5	207,870	15,688	174,816	394,945
\$1 under \$1,000.....	(¹)	(¹)	—	—	*738	*3,863	*738	(²)	*3,863	5,234	75,610	22,986
\$1,000 under \$2,000.....	(¹)	(¹)	211,046	16,550	**86	**3,090	211,058	6.3	19,556	93	381,862	59,852
\$2,000 under \$3,000.....	(¹)	(¹)	205,861	39,682	**	**	205,863	5.7	39,766	193	379,507	79,178
\$3,000 under \$4,000.....	66,489	11,540	900,044	76,719	*294	*964	900,338	28.1	77,683	86	1,096,978	147,295
\$4,000 under \$5,000.....	126,812	22,813	2,416,695	247,730	*257	*712	2,416,952	65.3	248,442	103	2,538,189	318,797
\$5,000 under \$6,000.....	368,795	42,205	2,089,044	399,680	—	—	2,089,044	66.7	399,680	191	2,197,033	492,636
\$6,000 under \$7,000.....	561,656	103,766	2,113,614	637,981	*857	*3,365	2,114,471	63.2	641,347	303	2,223,212	759,802
\$7,000 under \$8,000.....	568,776	127,852	2,085,072	835,874	**375	**4,049	2,085,445	67.2	839,761	403	2,202,234	1,021,248
\$8,000 under \$9,000.....	653,734	159,695	2,321,037	1,122,716	**	**	2,321,039	74.9	1,122,877	484	2,428,073	1,290,483
\$9,000 under \$10,000.....	807,907	190,703	2,714,886	1,507,474	*655	*1,577	2,714,889	83.6	1,509,051	556	2,795,435	1,700,915
\$10,000 under \$11,000.....	848,115	135,761	2,630,068	1,708,556	*129	*4,114	2,630,197	90.1	1,712,671	651	2,676,388	1,869,952
\$11,000 under \$12,000.....	313,300	114,673	2,635,350	1,998,053	*2,552	*4,235	2,636,001	93.5	2,002,288	760	2,677,808	2,190,031
\$12,000 under \$13,000.....	330,558	113,327	2,564,513	2,327,955	*1,158	*3,094	2,565,439	94.0	2,331,049	909	2,607,060	2,535,157
\$13,000 under \$14,000.....	439,265	148,228	2,699,437	2,784,641	*3,546	*6,610	2,699,579	95.8	2,791,251	1,034	2,724,873	2,939,022
\$14,000 under \$15,000.....	403,864	134,377	2,396,249	2,672,216	*783	*3,244	2,397,032	96.5	2,675,460	1,116	2,420,576	2,866,026
\$15,000 under \$16,000.....	336,654	117,881	2,354,302	3,003,642	*12	*82	2,354,314	96.7	3,003,724	1,274	2,384,854	3,270,627
\$16,000 under \$17,000.....	240,657	94,632	2,300,771	3,330,130	*11	*553	2,300,782	98.5	3,330,683	1,448	2,310,729	3,541,007
\$17,000 under \$18,000.....	270,038	126,094	2,240,817	3,506,260	*670	*5,234	2,240,836	98.8	3,511,494	1,567	2,251,839	3,766,194
\$18,000 under \$19,000.....	299,121	113,862	2,199,937	3,785,019	*2,122	*7,482	2,200,554	98.0	3,792,501	1,723	2,223,562	4,038,493
\$19,000 under \$20,000.....	278,905	101,547	2,033,495	3,779,829	*11	*5	2,033,506	98.1	3,779,835	1,859	2,056,047	4,071,722
\$20,000 under \$25,000.....	1,548,711	558,499	9,157,932	20,883,772	1,650	14,498	9,159,582	99.2	20,898,270	2,282	9,199,852	22,199,598
\$25,000 under \$30,000.....	1,556,428	548,073	7,495,979	22,771,412	9,203	36,917	7,497,877	99.4	22,808,328	3,042	7,519,009	23,909,852
\$30,000 under \$40,000.....	2,462,263	838,672	11,470,877	48,618,579	61,112	162,638	11,479,782	99.5	48,781,218	4,249	11,504,220	50,787,665
\$40,000 under \$50,000.....	1,758,756	586,838	7,503,226	45,822,546	77,988	234,873	7,505,858	99.9	46,057,420	6,136	7,511,809	47,647,041
\$50,000 under \$75,000.....	1,746,446	726,074	6,446,673	62,359,044	117,312	514,746	6,460,810	99.8	62,873,790	9,732	6,462,251	64,967,060
\$75,000 under \$100,000.....	523,012	453,819	1,533,792	25,696,838	90,990	534,450	1,540,431	99.8	26,231,288	17,029	1,542,067	27,107,477
\$100,000 under \$200,000.....	493,076	950,584	1,146,977	37,310,748	121,431	1,229,586	1,150,696	99.8	38,542,715	33,495	1,151,459	39,558,375
\$200,000 under \$500,000.....	167,787	496,291	304,511	27,717,813	46,110	1,008,579	305,597	99.8	28,726,392	94,001	305,749	28,974,651
\$500,000 under \$1,000,000.....	35,564	171,981	56,428	13,962,105	11,115	434,689	56,680	99.9	14,396,794	254,001	56,702	14,508,157
\$1,000,000 or more.....	27,248	434,463	35,744	32,002,464	16,101	1,691,405	35,828	99.9	33,693,869	940,434	35,850	33,759,314
Taxable returns, total.....	14,324,620	6,542,435	84,264,923	370,932,395	579,810	6,115,470	84,324,468	100.0	377,050,937	4,471	84,324,468	389,628,786
Nontaxable returns, total.....	3,049,433	1,112,196	—	—	—	—	—	—	—	—	1,791,185	1,166,774

* Estimate should be used with caution because of the small number of sample returns on which it is based.

** Data combined to avoid disclosure of information for specific taxpayers.

¹ Not available.² Less than 0.05 percent.

NOTE: Detail may not add to total because of rounding.

Individual Income Tax Rates, 1985

By John Labate and Dan Holik*

For Tax Year 1985, an increase in adjusted gross income (AGI) of \$162 billion and an increase in taxable income of \$119 billion brought about an 8 percent increase in total income tax—from \$302 billion for 1984 to \$326 billion for 1985. This increase in total income tax occurred despite indexing of the 1985 tax rate schedules and of personal exemption amounts for the effects of inflation by the Economic Recovery Tax Act of 1981 (ERTA) [1]. The average total income tax on returns that showed a tax for 1985 was \$3,931, a \$233 increase from 1984.

Figures A and B show the general decline since 1981 in the average tax rate on taxable returns [2]. For 1985 the average tax rate was steady at 14.4 percent of AGI, although this was slightly higher than the average rate for 1984 [3]. Based on a distribution of all taxable returns by the size of AGI, the median taxable return had an AGI between \$20,000 and \$21,000 for 1985, up from between \$19,000 and \$20,000 for 1984. (For further information on the number of returns, income tax, and average tax by size of AGI, see Table 3 of the Selected Statistical Series at the end of the Bulletin.)

Figure A.—Adjusted Gross Income, Total Income Tax, Average Tax Rate, and Average Total Income Tax, 1979-1985

Tax year	Total number of returns (thousands)	Taxable returns					
		Number of returns (thousands)	Adjusted gross income (billions)	Total income tax (billions)	Average tax rate	Average per return	
	(1)	(2)	(3)	(4)	(5)	Adjusted gross income (dollars)	Total income tax (dollars)
1979	92,694	71,695	\$1,402	\$214	15.3%	\$19,559	\$2,992
1980	93,902	73,906	1,556	250	16.1	21,055	3,387
1981	95,396	76,725	1,721	284	16.5	22,433	3,703
1982	95,337	77,035	1,804	278	15.4	23,415	3,604
1983	96,321	78,016	1,895	274	14.5	24,292	3,514
1984	99,439	81,640	2,097	302	14.4 ¹	25,687	3,698
1985	101,660	82,846	2,259	326	14.4 ¹	27,268	3,931

¹ The average tax rate (total income tax as a percentage of AGI for taxable returns) for 1984 was 14.397, and the average rate for 1985 was 14.418.

NOTE: The average adjusted gross income, average total income tax, and average tax rate were calculated from unrounded data. Average tax rate is Total income tax as a percentage of adjusted gross income.

CALCULATION OF TAXES FOR 1985

Taxpayers used one of four tax rate schedules for 1985, depending on the taxpayer's filing status. There were separate schedules for married persons filing joint returns, married persons filing returns separately from their spouses, individuals qualifying as heads of households,

and other single persons [4]. The tax rates in each schedule ranged from 0 to 50 percent [5].

The application of different tax rates to a particular return is illustrated in Figure C, which shows how tax was calculated for 1985 for a married couple with a \$25,000 AGI, filing a joint return, claiming two exemptions, and not itemizing deductions. Taxpayers who filed joint returns for 1985 were taxed at a tax rate of 0 percent on the first \$3,540 of taxable income, 11 percent for the next \$2,180, 12 percent for the following \$2,190, and so forth.

To simplify the tax computation and to reduce the number of errors, taxpayers with less than \$50,000 of taxable income (and who did not use income averaging) were required to determine their tax from the Tax Table rather than the tax rate schedules. The amount of tax shown in the Tax Table was equal to the tax on the midpoint of the income bracket (generally each bracket was \$50 wide), as calculated from the appropriate tax rate schedule, rounded to the nearest whole dollar. According to the 1985 Tax Table, for married taxpayers filing a joint return with taxable income between \$22,900 and \$22,950, the tax was \$3,017. In this example, the Tax Table tax is greater than the tax rate schedule tax (\$3,016 in Figure C) by \$1, since the Tax Table tax was computed on the midpoint of the \$22,900 to \$22,950 income bracket (\$22,925), and the taxable income in Figure C is \$22,920. The tax computed from the Tax Table or the tax rate schedules plus any "taxes from special computations" equals income tax before credits [6]. For Tax Year 1985, the regular and income averaging methods of tax computation were the only methods of tax computation available [7].

Indexing of the tax rate schedules was introduced for 1985 to avoid an increase in taxes as a percentage of AGI, caused by nominal income increases due to inflation (as measured by the Consumer Price Index for urban consumers) [8]. In Figure D, a tax is derived using the 1984 (non-indexed) tax rate schedule, zero bracket amount (\$3,400), and personal exemption amount (\$1,000) for the same \$25,000 AGI as in Figure C. The \$97 or 3.2 percent difference between the higher tax for 1984 derived in Figure D (\$3,113) and the actual tax for 1985 derived in Figure C (\$3,016) shows the effect of indexing.

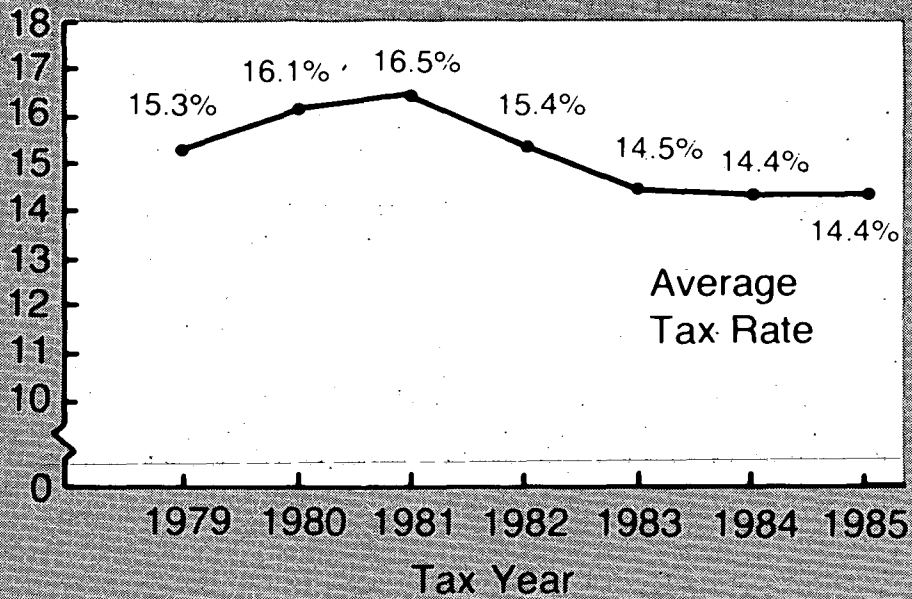
Certain income and deduction items described as "tax preferences" were subject to the alternative minimum tax, which was payable in addition to the ordinary income tax. For Tax Year 1985, the alternative minimum tax was com-

*Individual Returns Analysis Section. Prepared under the direction of Susan Hostetter, Chief.

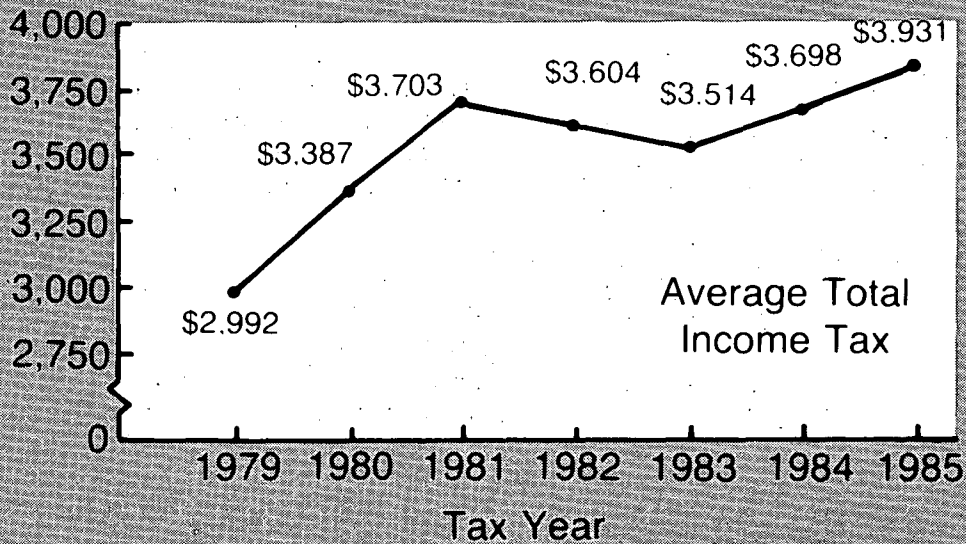
Figure B.

Taxable Returns: Average Tax Rate and Average Total Income Tax, 1979-1985

Percentage



Dollars per return



Note: Average tax rate was computed as a percentage of adjusted gross income. See also footnote 3. at the end of this article.

Figure C.—Calculation of Tax, Joint Return With Income Subject to Tax at Regular Rates, 1985

Adjusted gross income.....	\$25,000
Exemption amount (2 X \$1,040).....	- 2,080
Taxable income.....	\$22,920
Tax on \$22,920 of Taxable Income.....	\$3,016
Calculation of Tax from the Tax Rate Schedule	
	Tax
First \$3,540 of taxable income taxed at 0%.....	\$0.00
Next \$2,180 of taxable income taxed at 11%.....	239.80
Next \$2,190 of taxable income taxed at 12%.....	262.80
Next \$4,480 of taxable income taxed at 14%.....	627.20
Next \$4,260 of taxable income taxed at 16%.....	681.60
Next \$4,370 of taxable income taxed at 18%.....	786.60
Next \$1,900 of taxable income taxed at 22%.....	418.00
Totals \$22,920.....	\$3,016.00

Figure D.—Calculation of Tax, Joint Return With Income Subject to Tax at Regular Rates, 1984

Adjusted gross income.....	\$25,000
Exemption amount (2 X \$1,000).....	- 2,000
Taxable income.....	\$23,000
Tax on \$23,000 of Taxable Income.....	\$3,113
Calculation of Tax from the Tax Rate Schedule	
	Tax
First \$3,400 of taxable income taxed at 0%.....	\$0.00
Next \$2,100 of taxable income taxed at 11%.....	231.00
Next \$2,100 of taxable income taxed at 12%.....	252.00
Next \$4,300 of taxable income taxed at 14%.....	602.00
Next \$4,100 of taxable income taxed at 16%.....	656.00
Next \$4,200 of taxable income taxed at 18%.....	756.00
Next \$2,800 of taxable income taxed at 22%.....	616.00
Totals \$23,000.....	\$3,113.00

puted on separately-determined "alternative minimum taxable income" (income subject to the ordinary tax plus items of tax preference). The alternative minimum tax was the excess of the 20 percent tax on alternative minimum taxable income over the ordinary tax on regularly-determined taxable income. More than 427,000 returns reported alternative minimum tax totaling \$3.8 billion for 1985.

MARGINAL TAX RATES

As shown in Figures C and D, different portions of the income included on a return may be taxed at different rates. The tax rate applied to the last dollar of income is the marginal tax rate for that return. Since tax rates increase with income (from 0 to 50 percent), the marginal tax rate is the highest rate applied to the return. In Figure C, the taxpayer had portions of income taxed at seven tax rates ranging from 0 to 22 percent. The marginal tax rate in this instance is 22 percent. Note that the marginal tax rate as defined here is based only on income included in AGI. Consequently, this marginal rate may differ from an effective marginal rate computed on a taxpayer's total income, which would include, for example, tax-exempt interest and, for 1985, the nontaxable portion of long-term capital gains, and the dividend exclusion [9].

Marginal tax rate data for Tax Year 1985 are presented in Tables 1 and 2, which include returns with the regular tax computation and returns with the income averaging computation. Data in these tables are based on returns with "taxable income" only. For Tax Year 1985, the total number of individual returns filed (Figure A) was 101,660,287, of which 96,429,715 returns had a taxable income amount, while 82,846,420 returns were "taxable" (reporting income tax after credits and the additional tax for preferences). (See Taxable Income in the Definitions section for a more detailed discussion.)

Returns are classified by two different methods in Table 1. In columns 1 through 9, a return is classified by the marginal or highest tax rate. For example, column 1 shows that there were 9,451,657 returns for which the marginal tax rate was 18 percent. Columns 5 and 6 show that, for these returns, the amount of tax generated at the 11 through 18 percent rates totaled \$17.9 billion while the amount of tax generated solely at the marginal rate of 18 percent totaled \$3.0 billion. In columns 10 through 12, a return is classified by each rate that generated a tax. For example, columns 10, 11, and 12 show that 49,027,250 returns had some income taxed at the 18 percent rate; \$159 billion of this income was taxed at the 18 percent rate, and \$28.7 billion of income tax was generated at the 18 percent tax rate [10].

The amount of tax generated by each specific tax rate, ranging from 11 to 50 percent, as well as the corresponding number of returns and the amount of modified taxable income, are presented in Table 2. These data are classified by size of AGI. For example, column 1 shows that 5,212,090 returns with taxable income had an AGI between \$14,000 and \$16,000; column 7 shows that 5,164,172 of these returns had a portion of income taxed at the 11 percent rate. These returns had \$8.7 billion of modified taxable income at the 11 percent rate (column 8), and the 11 percent bracket generated nearly \$1.0 billion of tax (column 9).

Tables 1 and 2 do not include any tax attributable to the alternative minimum tax, which was computed on a different base from that used for the statistics in these two tables.

DEFINITIONS

Complete definitions of the technical terms used in this article and accompanying tables—for example, taxable income, tax generated and income averaging—are beyond the scope of this article. More extensive definitions may be found in *Statistics of Income—1985, Individual Income Tax Returns*. Brief definitions of the major tax concepts discussed in this article follow:

Adjusted Gross Income.—Adjusted gross income (AGI) was computed by subtracting statutory adjustments (prima-

Individual Income Tax Rates, 1985

rily business, investment or employee-related deductions, such as payments to an Individual Retirement Arrangement (IRA)), from total income recognized under the tax code. Total income included the net amounts from sources such as salaries and wages, business income, rents, royalties and, in turn, excluded, for example, most social security benefits, and a certain portion of capital gains.

Average Tax Rate—The average tax rate presented in this article was the ratio of total income tax to AGI.

Marginal Tax Rate—The marginal tax rate presented in this article was the highest tax rate applied to any portion of income from a return. As defined for the data presented in this article, the marginal tax rate is based only on income included in AGI. Thus, the marginal tax rate may differ from an effective marginal tax rate computed on total income subject to tax under the Internal Revenue Code. (See Footnote 9 for a further discussion of effective marginal tax rates.)

Modified Taxable Income—Modified taxable income is the technical term used to describe the actual tax base computed for the statistics. For taxpayers using the regular tax computation method, modified taxable income is identical to taxable income. However, for taxpayers who used the income averaging computation, a modified taxable income was computed specially for the statistics by imputing a hypothetical taxable income amount necessary to yield the given amount of tax when subject to tax under the appropriate, ordinary tax rate schedule as if income averaging had not been used.

Taxable Income—For taxpayers who used the regular tax computation method and those who used income averaging, taxable income was the amount reported on line 37 of the individual income tax return (i.e., AGI less the personal exemption amount, and less either allowable charitable contributions for non-itemizers or total allowable itemized deductions for all others).

Tax Generated—This was the tax computed from the tax rate schedules on the amount of modified taxable income. Therefore, it excludes the "alternative minimum tax." For most returns (those without one of the "taxes from special computations" described in Footnote 6), tax generated equalled income tax before credits.

Total Income Tax—Total income tax was the sum of income tax after credits and the additional tax for tax preferences (primarily the alternative minimum tax).

DATA SOURCES AND LIMITATIONS

These statistics are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ) filed

with the Internal Revenue Service in 1986. Returns in the sample were stratified based on the larger of total income or total loss; size of business plus farm receipts; the presence or absence of Schedule C, Profit (or Loss) from Business or Profession; and Schedule F, Farm Income and Expenses. Returns were selected at rates ranging from 0.03 percent (for the more numerous smaller-size returns) to 100 percent (for the relatively few returns with large income amounts), resulting in 121,418 returns being selected from a population of 101,836,347.

Because the data presented in this article are estimates based on a sample, they are subject to sampling, as well as nonsampling, error. To make proper use of the statistical data provided, one must know the magnitude of the potential sampling error.

Figure E presents approximate coefficients of variation (CV's) for frequency estimates. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For a number other than those shown, the corresponding CV's can be estimated by interpolation.

Figure E.—Coefficients of Variation for Frequency Estimates, 1985

Estimated number of returns	Approximate coefficient of variation
8,474,750	0.02
1,355,960	0.05
338,990	0.10
84,748	0.20
37,666	0.30
6,780	0.50

The reliability of estimates based on samples, the use of coefficients of variation for evaluating the precision of sample estimates, and nonsampling error considerations are discussed in the methodological Appendix at the back of this Bulletin.

NOTES AND REFERENCES

- [1] The Economic Recovery Tax Act of 1981 (ERTA) indexed 1985 tax rate schedules, including the zero bracket amount (or standard deduction), and the amount deductible for personal exemptions, to adjust for inflation. For further information on tax law changes for 1985, see *Statistics of Income—1985, Individual Income Tax Returns*.
- [2] A return was considered to be "taxable" if an amount was reported for "total income tax" (the sum of income tax after credits and the additional tax for tax preferences, primarily the alternative minimum tax). "Total income tax" did not include other related taxes reported on the individual income tax return, such as self-employment tax, tax from recapture of prior-year

investment credit, and social security tax on tip income (under the Federated Insurance Contribution Act (FICA)). For 1985, the total number of taxable returns was 82,846,420.

- [3] The average tax rate (total income tax as a percentage of AGI for taxable returns) for 1984 was 14.397, and the average rate for 1985 was slightly higher at 14.418.
- [4] Taxpayers who did not remarry after the death of a spouse in 1983 or 1984, and who had a dependent living with them, could qualify for surviving spouse status. Those who qualified for surviving spouse status could use the married filing joint tax rates when filing their 1985 returns.
- [5] The 1985 tax rate schedules were published in the 1985 Instructions for Preparing Form 1040. The schedules are reproduced in *Statistics of Income—1985 Individual Income Tax Returns*.
- [6] Taxes from special computations included tax on accumulation distributions of trusts, and the tax on the ordinary income part of lump-sum distributions from qualified retirement plans. Taxes from special computations did not include tax from recomputing prior-year investment credits, self-employment tax, social security tax on tips, or taxes from individual retirement arrangements. These taxes were included in "total tax liability," which is defined in *Statistics of Income—1985 Individual Income Tax Returns*. Tables 1 and 2 do not use the concept of total tax liability.
- [7] The income averaging computation permitted part of an unusually large increase in income for 1985 to be taxed at lower rates, resulting in a lower amount of tax due than would have resulted if taxpayers had computed their tax using the regular method. If the income averaging computation was used, the income tax before credits had to be computed from the tax rate schedules rather than from the Tax Tables.
- [8] See section 1(f) of the Internal Revenue Code of 1954, introduced by the Economic Recovery Tax Act of 1981. The Consumer Price Index (CPI) is published by the Bureau of Labor Statistics, U.S. Department of Labor. For further information about the CPI, see *Consumer Price Index; Concepts and Content Over the Years, Report No. 17*, and *Monthly Labor Review*, Bureau of Labor Statistics.
- [9] For the tables presented in this article, the marginal tax rate was the rate at which the taxpayer's last dollar of taxable income was taxed. The calculation of an "effective" marginal tax rate for a given return depends upon: 1) the type(s) of income (for example, salaries and wages, long-term capital gains) reported on the return, and the order in which that income was assumed to be "stacked" (described below), 2) the type of tax computation used (regular or income averaging), and 3) whether an alternative minimum tax was reported. If a taxpayer reported income from both salaries and long-term capital gains, the calculation of an effective marginal tax rate would depend on the order in which the income sources were "stacked." If the last dollar of income were assumed to be from salaries and wages, the effective marginal tax rate would be the tax rate derived directly from the appropriate tax rate schedule. If the last dollar of income were assumed to be from long-term capital gains, the effective marginal tax rate calculation would include the capital gains exclusion. For example, \$100 of long-term capital gains generated \$40 of AGI subject to the 50 percent marginal tax rate. While the stated marginal tax rate on AGI was 50 percent, the effective marginal tax rate computed on the \$100 of capital gains income was 20 percent. The income averaging tax computation is discussed in Footnote 7, and the alternative minimum tax is discussed in the "Calculation of Taxes for 1985" section of the article.
- [10] Dollar amounts presented in this section and in the tables are rounded; therefore, the amounts may not add to the corresponding column totals.

Table 1—Taxable Income and Tax, Classified by Both the Marginal Rate and Each Rate at Which Tax was Computed

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Tax rate classes	All returns											
	Classified by the highest marginal rate at which tax was computed									Classified by each rate at which tax was computed		
	Number of returns	Adjusted gross income	Modified taxable income		Tax generated		Income tax after credits			Number of returns	Income taxed at rate	Income tax generated at rate
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percent of adjusted gross income	As a percent of income subject to tax			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
All marginal rates	96,429,715	2,325,928,359	1,804,651,021	271,613,053	327,441,609	81,989,534	321,508,327	13.8	17.8	96,429,715	1,804,651,021	327,452,512
0 percent	10,422,945	35,290,014	15,087,682	15,087,682	—	—	47,888	0.1	0.3	96,429,715	270,284,041	—
11 percent	6,524,941	42,789,154	23,441,554	5,409,505	591,849	595,046	402,064	0.9	1.7	86,006,770	146,852,559	16,153,781
12 percent	5,936,591	51,257,200	31,724,499	4,900,162	1,711,147	588,019	1,333,162	2.6	4.2	79,481,829	133,415,922	16,009,911
14 percent	10,547,088	121,613,808	83,778,642	17,172,236	6,533,035	2,404,113	5,979,997	4.9	7.1	73,545,238	234,388,990	32,814,459
15 percent	4,043,958	37,962,568	31,573,701	4,236,545	2,886,089	635,482	2,851,153	7.5	9.0	23,131,186	44,128,851	6,619,328
16 percent	8,598,359	144,075,429	107,693,453	14,929,891	11,075,290	2,388,782	10,729,737	7.4	10.0	54,072,716	179,017,702	28,642,832
17 percent	1,328,583	19,009,673	14,182,877	2,159,201	1,459,815	367,064	1,209,962	6.4	8.5	4,881,476	13,635,046	2,317,958
18 percent	9,451,657	197,660,295	152,556,342	16,647,489	17,902,091	2,996,548	17,325,995	8.8	11.4	49,027,250	159,229,275	28,661,270
20 percent	3,280,014	58,453,793	49,712,150	3,835,586	6,440,210	767,117	6,301,985	10.8	12.7	14,899,954	31,011,054	6,202,211
22 percent	5,365,183	163,309,346	124,367,082	12,382,013	16,562,346	2,724,043	16,132,900	9.9	13.0	24,675,639	100,299,846	22,065,966
23 percent	3,073,713	60,353,713	52,774,797	4,794,137	7,503,649	1,102,651	7,536,694	12.5	14.3	10,016,462	27,913,491	6,420,103
24 percent	839,744	22,717,899	17,952,663	2,047,911	2,706,320	491,499	2,620,609	11.5	14.6	1,603,478	6,263,723	1,503,294
25 percent	5,857,363	212,565,802	165,532,865	15,968,615	25,057,561	3,992,154	24,535,859	11.5	14.8	19,310,456	89,680,929	22,420,232
26 percent	3,227,423	80,230,958	69,202,935	8,075,544	11,292,998	2,099,641	11,353,793	14.2	16.4	6,942,749	28,584,143	7,431,877
28 percent	4,893,220	203,700,902	161,027,058	12,403,899	27,301,182	3,473,092	26,957,072	13.2	16.7	14,216,827	63,376,983	17,745,555
30 percent	1,728,049	54,302,503	46,644,014	4,375,936	8,714,994	1,312,781	8,749,425	16.1	18.8	3,715,326	15,325,832	4,597,750
32 percent	156,881	6,240,813	5,062,604	360,881	979,045	115,482	966,289	15.5	19.1	340,427	1,374,055	439,698
33 percent	4,915,760	253,650,598	202,039,011	23,167,029	39,520,245	7,645,120	39,211,658	15.5	19.4	8,983,180	67,629,266	22,317,658
34 percent	900,052	33,733,664	29,089,671	2,115,112	6,062,337	719,138	6,085,602	18.0	20.9	1,987,277	8,116,594	2,759,642
35 percent	108,380	5,354,574	4,290,529	444,123	943,535	155,443	912,139	17.0	21.3	183,546	1,273,204	445,621
38 percent	2,777,065	174,399,161	140,434,245	15,429,771	32,662,702	5,863,313	32,517,565	18.6	23.2	5,154,645	46,307,453	17,596,832
42 percent	1,401,899	117,452,992	93,658,792	12,997,570	25,771,245	5,458,979	25,531,492	21.7	27.3	2,452,746	37,060,085	15,565,236
45 percent	304,144	37,972,107	29,723,164	3,180,993	9,454,676	1,431,447	9,410,808	24.8	31.7	773,989	14,619,020	6,578,559
48 percent	173,912	14,774,057	11,863,922	1,674,885	3,794,046	803,945	3,821,840	25.9	32.2	293,604	4,976,093	2,388,524
49 percent	231,732	39,281,053	30,916,681	4,953,413	11,120,178	2,427,172	10,902,302	27.8	35.3	453,099	17,023,938	8,341,729
50 percent	341,059	137,776,279	110,320,085	62,862,926	49,395,026	31,431,463	48,080,355	34.9	43.6	341,059	62,862,926	31,431,463

Tax rate classes	Joint returns and returns of surviving spouses											
	Classified by the highest marginal rate at which tax was computed									Classified by each rate at which tax was computed		
	Number of returns	Adjusted gross income	Modified taxable income		Tax generated		Income tax after credits			Number of returns	Income taxed at rate	Income tax generated at rate
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percent of adjusted gross income	As a percent of income subject to tax			
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
All marginal rates	46,084,484	1,612,167,187	1,225,691,758	188,016,868	236,605,589	60,793,132	232,230,723	14.4	18.9	46,084,484	1,225,691,758	236,608,310
0 percent	2,519,543	14,389,388	5,248,318	5,248,318	—	—	10,972	0.1	0.2	46,084,484	159,468,209	—
11 percent	2,154,688	21,489,813	10,013,586	2,385,991	261,392	262,459	184,551	0.9	1.8	43,564,941	92,660,342	10,192,638
12 percent	2,137,762	25,957,016	14,559,262	2,331,263	791,813	279,752	696,660	2.7	4.8	41,410,253	88,338,018	10,600,562
14 percent	4,788,252	75,392,917	48,877,661	11,002,587	3,946,548	1,540,362	3,667,391	4.9	7.5	39,272,491	165,491,978	23,168,877
15 percent	—	—	—	—	—	—	—	—	—	—	—	—
16 percent	4,804,480	99,535,294	69,968,463	10,440,956	7,097,311	1,670,553	6,757,613	6.8	9.7	34,484,239	136,876,729	21,900,277
17 percent	—	—	—	—	—	—	—	—	—	—	—	—
18 percent	5,308,234	134,611,825	100,059,372	11,677,276	11,712,449	2,101,910	11,333,758	8.4	11.3	29,679,759	118,180,841	21,272,551
20 percent	—	—	—	—	—	—	—	—	—	—	—	—
22 percent	5,289,914	162,225,220	123,489,123	12,295,131	16,445,498	2,704,929	16,015,271	9.9	13.0	24,371,525	99,688,909	21,931,560
23 percent	—	—	—	—	—	—	—	—	—	—	—	—
24 percent	—	—	—	—	—	—	—	—	—	—	—	—
25 percent	5,827,344	212,017,657	165,102,451	15,922,445	24,991,906	3,980,611	24,480,171	11.5	14.8	19,081,611	89,085,999	22,271,500
26 percent	—	—	—	—	—	—	—	—	—	—	—	—
28 percent	4,416,274	188,628,416	148,763,602	11,329,155	25,189,624	3,172,163	24,883,429	13.2	16.7	13,254,267	60,026,496	16,807,419
30 percent	—	—	—	—	—	—	—	—	—	—	—	—
32 percent	—	—	—	—	—	—	—	—	—	—	—	—
33 percent	4,850,660	252,019,245	200,681,062	23,001,386	39,253,131	7,590,457	38,945,491	15.5	19.4	8,837,993	67,021,542	22,117,109
34 percent	—	—	—	—	—	—	—	—	—	—	—	—
35 percent	—	—	—	—	—	—	—	—	—	—	—	—
38 percent	2,210,135	149,271,411	118,946,689	13,589,554	27,644,416	5,164,030	27,515,069	18.4	23.1	3,987,333	39,856,540	15,145,485
42 percent	1,050,511	96,798,846	76,478,251	10,873,839	21,151,959	4,567,012	20,904,825	21.6	27.3	1,777,198	30,232,781	12,697,768
45 percent	286,075	36,408,673	28,519,628	3,033,206	9,082,237	1,364,943	9,040,541	24.8	31.7	726,687	13,947,165	6,276,224
48 percent	—	—	—	—	—	—	—	—	—	—	—	—
49 percent	224,324	38,593,948	30,434,552	4,893,021	10,949,381	2,397,580	10,732,090	27.8	35.3	440,612	16,823,467	8,243,499
50 percent	216,288	104,827,518	84,549,738	47,992,740	38,087,924	23,996,370	37,062,891	35.4	43.8	216,288	47,992,740	23,996,370

Footnote(s) at end of table.

Table 1—Taxable Income and Tax, Classified by Both the Marginal Rate and Each Rate at Which Tax was Computed—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

All figures are estimates based on samples—money amounts are in thousands of dollars												
Tax rate classes	Separate returns of husbands and wives									Classified by each rate at which tax was computed		
	Classified by the highest marginal rate at which tax was computed											
	Number of returns	Adjusted gross income	Modified taxable income		Tax generated		Income tax after credits			Number of returns	Income taxed at rate	Income tax generated at rate
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percent of adjusted gross income	As a percent of income subject to tax			
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
All marginal rates	836,893	13,419,201	10,478,145	2,452,838	2,335,267	915,893	2,290,236	17.1	21.9	836,893	10,478,145	2,335,378
0 percent	95,758	-6,797	110,094	110,094	—	—	()	()	()	836,893	1,421,903	—
11 percent	65,243	365,299	154,467	38,987	4,251	4,289	3,939	1.1	2.6	741,135	775,709	85,328
12 percent	67,448	396,213	226,695	33,794	12,112	4,055	12,208	3.1	5.4	675,892	700,040	84,005
14 percent	107,195	835,989	560,304	136,348	46,004	19,089	42,154	5.0	7.5	608,444	1,259,146	176,280
15 percent	—	—	—	—	—	—	—	—	—	—	—	—
16 percent	127,975	1,208,916	953,720	160,915	97,977	25,746	90,692	7.5	9.5	501,249	955,989	152,958
17 percent	—	—	—	—	—	—	—	—	—	—	—	—
18 percent	69,160	873,901	639,647	63,890	74,089	11,500	73,105	8.4	11.4	373,274	728,379	131,108
20 percent	—	—	—	—	—	—	—	—	—	—	—	—
22 percent	75,269	1,084,126	877,960	86,882	116,848	19,114	117,629	10.9	13.4	304,114	610,938	134,406
23 percent	—	—	—	—	—	—	—	—	—	—	—	—
24 percent	—	—	—	—	—	—	—	—	—	—	—	—
25 percent	30,019	548,146	430,413	46,170	65,655	11,543	55,688	10.2	12.9	228,845	594,930	148,732
26 percent	—	—	—	—	—	—	—	—	—	—	—	—
28 percent	53,639	1,188,443	897,911	63,289	151,418	17,721	150,685	12.7	16.8	198,826	463,279	129,718
30 percent	—	—	—	—	—	—	—	—	—	—	—	—
32 percent	—	—	—	—	—	—	—	—	—	—	—	—
33 percent	65,100	1,631,352	1,357,949	165,643	267,114	54,662	266,166	16.3	19.6	145,187	607,723	200,549
34 percent	—	—	—	—	—	—	—	—	—	—	—	—
35 percent	—	—	—	—	—	—	—	—	—	—	—	—
38 percent	40,584	1,305,949	1,080,732	113,412	249,492	43,097	249,654	19.1	23.1	80,087	405,339	154,029
42 percent	22,489	952,583	822,779	120,560	228,149	50,635	229,673	24.1	27.9	39,503	347,186	145,818
45 percent	4,527	275,834	229,275	27,620	73,490	12,429	73,057	26.5	31.9	17,014	182,271	82,022
48 percent	—	—	—	—	—	—	—	—	—	—	—	—
49 percent	7,408	687,105	482,129	60,392	170,797	29,592	170,212	24.8	35.3	12,487	200,470	98,231
50 percent	5,079	2,072,142	1,654,069	1,224,842	777,873	612,421	755,373	36.5	45.7	5,079	1,224,842	612,421
Returns of heads of households												
Tax rate classes	Classified by the highest marginal rate at which tax was computed									Classified by each rate at which tax was computed		
	Classified by the highest marginal rate at which tax was computed											
	Number of returns	Adjusted gross income	Modified taxable income		Tax generated		Income tax after credits			Number of returns	Income taxed at rate	Income tax generated at rate
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percent of adjusted gross income	As a percent of income subject to tax			
	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
All marginal rates	9,326,612	148,574,618	109,608,304	16,052,241	15,337,447	3,342,235	13,833,501	9.3	12.6	9,326,612	109,608,304	15,338,618
0 percent	1,107,663	4,679,086	1,459,968	1,459,968	—	—	3,984	0.1	0.3	9,326,612	21,103,256	—
11 percent	1,077,657	7,267,888	3,764,534	1,188,934	130,268	130,783	16,422	0.2	0.4	8,218,949	16,828,363	1,851,120
12 percent	1,148,412	10,677,444	6,502,488	1,242,761	425,315	149,131	150,473	1.4	2.3	7,141,292	14,307,239	1,716,869
14 percent	1,111,404	12,849,346	8,769,237	1,256,146	734,338	175,860	493,277	3.8	5.6	5,992,880	12,434,726	1,740,862
15 percent	—	—	—	—	—	—	—	—	—	—	—	—
16 percent	—	—	—	—	—	—	—	—	—	—	—	—
17 percent	1,328,583	19,009,673	14,182,877	2,159,201	1,459,815	367,064	1,209,962	6.4	8.5	4,881,476	13,635,046	2,317,958
18 percent	1,111,811	19,679,813	15,349,192	1,696,153	1,830,166	305,308	1,624,733	8.3	10.6	3,552,893	9,824,956	1,768,492
20 percent	837,604	18,010,464	14,385,689	1,310,691	1,913,556	262,138	1,790,178	9.9	12.4	2,441,082	6,650,273	1,330,055
22 percent	—	—	—	—	—	—	—	—	—	—	—	—
23 percent	—	—	—	—	—	—	—	—	—	—	—	—
24 percent	839,744	22,717,899	17,952,663	2,047,911	2,706,320	491,499	2,620,609	11.5	14.6	1,603,478	6,263,723	1,503,294
25 percent	—	—	—	—	—	—	—	—	—	—	—	—
26 percent	—	—	—	—	—	—	—	—	—	—	—	—
28 percent	423,307	13,884,043	11,365,545	1,011,456	1,960,140	283,208	1,922,958	13.9	16.9	763,734	2,887,208	808,418
30 percent	—	—	—	—	—	—	—	—	—	—	—	—
32 percent	156,881	6,240,813	5,062,604	360,881	979,045	115,482	966,289	15.5	19.1	340,427	1,374,055	439,698
33 percent	—	—	—	—	—	—	—	—	—	—	—	—
34 percent	—	—	—	—	—	—	—	—	—	—	—	—
35 percent	108,380	5,354,574	4,290,529	444,123	943,535	155,443	912,139	17.0	21.3	183,546	1,273,204	445,621
38 percent	—	—	—	—	—	—	—	—	—	—	—	—
42 percent	44,878	2,968,233	2,377,111	289,387	621,104	121,543	618,562	20.8	26.0	75,166	790,653	332,074
45 percent	13,542	1,287,599	974,261	120,167	298,949	54,075	297,210	23.1	30.5	30,288	489,583	220,313
48 percent	6,541	820,502	633,273	76,438	219,900	36,690	214,302	26.1	33.8	16,746	357,994	171,837
49 percent	—	—	—	—	—	—	—	—	—	—	—	—
50 percent	10,205	3,127,240	2,538,331	1,388,024	1,114,996	694,012	992,404	31.7	39.1	10,205	1,388,024	694,012

Footnote(s) at end of table.

Table 1—Taxable Income and Tax, Classified by Both the Marginal Rate and Each Rate at Which Tax was Computed—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Tax rate classes	Returns of single persons											
	Classified by the highest marginal rate at which tax was computed									Classified by each rate at which tax was computed		
	Number of returns	Adjusted gross income	Modified taxable income		Tax generated		Income tax after credits			Number of returns	Income taxed at rate	Income tax generated at rate
			At all rates	At marginal rates	At all rates	At marginal rate	Total	As a percent of adjusted gross income	As a percent of income subject to tax			
	(48)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)
All marginal rates	40,181,726	551,767,353	458,872,814	67,091,107	73,163,306	16,938,274	73,153,866	13.3	15.9	40,181,726	458,872,814	73,170,206
0 percent	6,699,981	16,228,337	8,269,302	8,269,302	—	—	32,932	0.2	0.4	40,181,726	88,290,673	—
11 percent	3,227,353	13,666,154	9,508,967	1,795,593	195,938	197,515	197,134	1.4	2.1	33,481,745	36,588,144	4,024,696
12 percent	2,582,969	14,226,528	10,436,055	1,292,344	481,907	155,081	473,821	3.3	4.5	30,254,392	30,070,624	3,608,475
14 percent	4,540,237	32,535,556	25,571,440	4,777,154	1,806,144	668,802	1,777,175	5.5	6.9	27,671,423	55,203,140	7,728,440
15 percent	4,043,958	37,962,568	31,573,701	4,236,545	2,886,089	635,482	2,851,153	7.5	9.0	23,131,186	44,128,851	6,619,328
16 percent	3,665,904	43,331,219	36,771,270	4,328,019	3,880,002	692,483	3,881,432	9.0	10.6	19,087,228	41,184,984	6,589,597
17 percent	—	—	—	—	—	—	—	—	—	—	—	—
18 percent	2,962,452	42,494,756	36,508,130	3,210,170	4,285,386	577,831	4,294,399	10.1	11.8	15,421,324	30,495,099	5,489,118
20 percent	2,442,410	40,443,330	35,326,461	2,524,895	4,526,654	504,979	4,511,807	11.2	12.8	12,458,872	24,360,782	4,872,156
22 percent	—	—	—	—	—	—	—	—	—	—	—	—
23 percent	3,073,713	60,353,713	52,774,797	4,794,137	7,503,649	1,102,651	7,536,694	12.5	14.3	10,016,462	27,913,491	6,420,103
24 percent	—	—	—	—	—	—	—	—	—	—	—	—
25 percent	—	—	—	—	—	—	—	—	—	—	—	—
26 percent	3,227,423	80,230,958	69,202,935	8,075,544	11,292,998	2,099,641	11,353,793	14.2	16.4	6,942,749	28,584,143	7,431,877
28 percent	—	—	—	—	—	—	—	—	—	—	—	—
30 percent	1,728,049	54,302,503	46,644,014	4,375,936	8,714,994	1,312,781	8,749,425	16.1	18.8	3,715,326	15,325,832	4,597,750
32 percent	—	—	—	—	—	—	—	—	—	—	—	—
33 percent	—	—	—	—	—	—	—	—	—	—	—	—
34 percent	900,052	33,733,664	29,089,671	2,115,112	6,062,337	719,138	6,085,602	18.0	20.9	1,987,277	8,116,594	2,759,642
35 percent	—	—	—	—	—	—	—	—	—	—	—	—
38 percent	526,346	23,821,802	20,406,824	1,726,805	4,768,794	656,186	4,752,842	20.0	23.3	1,087,225	6,045,573	2,297,318
42 percent	284,021	16,733,330	13,980,651	1,713,784	3,770,034	719,789	3,778,432	22.6	27.0	560,879	5,689,465	2,389,575
45 percent	—	—	—	—	—	—	—	—	—	—	—	—
48 percent	167,371	13,953,555	11,230,648	1,598,447	3,574,146	767,255	3,607,537	25.9	32.1	276,858	4,618,099	2,216,687
49 percent	—	—	—	—	—	—	—	—	—	—	—	—
50 percent	109,487	27,749,380	21,577,948	12,257,320	9,414,232	6,128,660	9,269,687	33.4	43.0	109,487	12,257,320	6,128,660

() Less than \$500.

(†) Less than 0.05 percent.

NOTE: Detail may not add to total because of rounding.

Table 2—All Returns with Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Number of returns with income subject to tax	Taxable income	Modified taxable income	Tax generated at all rates	Tax generated at specified rate							
					0 percent		11 percent		12 percent			
					Number of returns	Modified taxable income	Number of returns	Modified taxable income	Number of returns	Modified taxable income		
Total	96,429,715	1,820,740,833	1,804,651,021	327,452,512	96,429,715	270,284,041	86,006,770	146,852,559	16,153,781	79,481,829	133,415,922	16,009,911
Under \$2,000	2,839,927	1,669,405	2,395,250	10,930	2,839,927	2,321,768	181,696	73,482	8,083	—	—	—
\$2,000 under \$4,000	6,056,963	11,141,247	11,321,964	103,167	6,056,963	10,439,939	1,529,478	703,748	77,412	242,816	158,146	18,978
\$4,000 under \$6,000	6,382,991	20,701,533	20,783,691	752,658	6,382,991	14,169,507	4,808,652	4,628,044	509,085	2,720,242	1,727,201	207,264
\$6,000 under \$8,000	30,718,709	43,748,958	30,715,667	1,828,982	30,718,709	15,670,798	5,386,185	6,473,010	712,031	4,241,693	4,089,921	490,790
\$8,000 under \$10,000	6,634,169	43,697,884	43,697,884	3,327,671	6,634,169	17,488,351	6,309,370	8,764,735	964,121	5,225,278	5,777,220	693,266
\$10,000 under \$12,000	48,023,339	47,852,936	47,852,936	4,218,554	48,023,339	15,653,533	5,637,205	8,770,247	964,727	6,899,842	7,275,473	827,981
\$12,000 under \$14,000	5,394,916	54,592,813	54,318,587	5,363,323	5,394,916	14,814,236	5,310,337	8,627,034	948,974	5,147,665	7,856,508	942,781
\$14,000 under \$16,000	5,212,090	61,848,129	61,469,159	6,587,475	5,212,090	14,613,556	5,164,172	8,676,961	954,466	5,102,589	8,180,309	981,637
\$16,000 under \$18,000	6,467,403	63,073,992	62,575,837	7,161,089	6,467,403	13,338,239	4,614,773	7,922,895	871,496	4,564,057	7,572,332	908,680
\$18,000 under \$20,000	4,342,317	66,818,345	66,290,449	8,074,276	4,342,317	12,672,959	4,323,263	7,593,652	835,302	4,293,862	7,322,781	878,734
\$20,000 under \$25,000	8,956,766	161,717,718	160,270,252	20,847,560	8,956,766	27,241,323	16,437,806	14,118,292	1,808,159	8,888,266	16,036,610	1,924,393
\$25,000 under \$30,000	7,445,922	164,077,077	162,318,657	23,221,319	7,445,922	23,296,657	7,934,691	14,118,292	1,553,012	13,916,005	13,916,005	1,669,921
\$30,000 under \$40,000	11,625,435	320,091,716	317,269,863	50,380,171	11,625,435	38,191,933	11,609,008	23,306,360	2,563,700	11,597,124	23,159,364	2,779,124
\$40,000 under \$50,000	6,694,035	233,646,097	231,532,547	41,864,325	6,694,035	22,744,972	6,690,084	13,875,433	1,526,298	6,685,332	13,847,802	1,661,736
\$50,000 under \$75,000	5,616,867	259,467,072	256,582,099	55,632,566	5,616,867	19,259,147	5,612,790	11,779,953	1,295,795	5,610,783	11,777,699	1,413,324
\$75,000 under \$100,000	1,261,020	82,293,087	80,810,661	21,512,486	1,261,020	4,309,429	1,260,370	2,631,084	289,419	1,259,671	2,629,461	315,535
\$100,000 under \$200,000	905,145	90,834,865	89,041,008	29,214,748	905,145	3,068,289	903,960	1,870,434	205,748	903,669	1,867,101	224,052
\$200,000 under \$500,000	236,959	52,919,889	52,214,014	21,816,873	236,959	793,053	236,852	479,877	52,796	236,791	478,090	57,371
\$500,000 under \$1,000,000	40,918	21,269,595	21,162,641	9,822,649	40,918	139,123	40,907	84,915	9,341	40,902	84,840	10,181
\$1,000,000 or more	17,181	32,087,247	32,047,855	15,711,690	17,181	57,235	17,170	34,796	3,828	17,168	34,689	4,163
Tax generated at specified rate—Continued												
Size of adjusted gross income	Number of returns	14 percent		15 percent		18 percent		17 percent		Number of returns	Modified taxable income	Tax generated at rate
		Modified taxable income	Tax generated at rate	Modified taxable income	Tax generated at rate	Modified taxable income	Tax generated at rate	Modified taxable income	Tax generated at rate			
		(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)				(22)	(23)	(24)
Total	73,545,238	234,388,990	32,614,459	23,131,186	44,128,851	6,619,328	54,072,716	179,017,702	28,642,832	4,881,476	13,635,046	2,317,958
Under \$2,000	—	—	—	—	—	—	—	—	—	—	—	—
\$2,000 under \$4,000	58,281	20,131	2,818	—	—	—	—	—	—	—	—	—
\$4,000 under \$6,000	727,983	256,770	35,948	5,678	2,169	10,363	*21,374	*7,853	21,165	—	—	—
\$6,000 under \$8,000	3,508,428	4,404,998	616,700	301,812	69,087	1,363	166,877	132,282	410,247	—	—	—
\$8,000 under \$10,000	4,052,103	8,028,084	1,123,932	3,186,781	5,798,318	869,748	2,535,618	2,564,045	896,874	163,361	89,504	15,216
\$10,000 under \$12,000	4,255,852	8,038,076	1,125,331	2,919,861	5,370,136	805,520	2,561,635	5,605,463	896,874	565,610	845,637	143,758
\$12,000 under \$14,000	4,763,760	9,741,356	1,363,790	2,615,443	5,370,136	805,520	2,561,635	5,605,463	896,874	565,610	845,637	143,758
\$14,000 under \$16,000	4,922,365	12,160,150	1,702,421	2,380,867	4,931,769	739,765	2,675,697	5,691,360	910,618	708,467	1,811,108	307,888
\$16,000 under \$18,000	4,471,029	12,988,868	1,818,441	1,968,859	4,931,769	739,765	3,110,745	6,268,763	1,003,002	581,097	1,748,229	297,199
\$18,000 under \$20,000	4,237,638	13,217,979	1,850,517	1,717,016	5,385,197	537,780	3,336,751	8,466,146	1,354,583	534,255	1,691,285	287,519
\$20,000 under \$25,000	8,817,426	30,250,409	3,235,057	2,848,061	7,588,196	890,677	7,588,196	24,614,773	3,938,364	884,563	2,791,197	474,503
\$25,000 under \$30,000	7,402,739	26,972,922	4,776,209	1,962,191	4,097,141	614,571	6,685,287	24,103,203	3,856,513	569,067	1,896,277	322,367
\$30,000 under \$40,000	11,585,265	46,038,212	6,445,350	1,894,548	3,938,703	590,805	10,932,888	42,641,587	6,822,554	593,064	1,915,597	325,651
\$40,000 under \$50,000	6,677,895	28,033,673	3,924,714	671,019	1,402,324	210,349	6,534,842	26,491,558	4,238,649	130,903	422,494	71,824
\$50,000 under \$75,000	5,607,592	23,898,791	3,345,831	430,383	898,948	134,842	5,508,959	22,624,679	3,619,949	91,112	294,292	50,030
\$75,000 under \$100,000	1,258,934	5,340,294	747,641	106,091	221,697	33,255	1,238,920	5,063,244	810,119	18,064	58,329	9,916
\$100,000 under \$200,000	903,101	3,764,067	529,769	92,896	194,153	29,123	884,828	3,586,337	573,814	17,373	56,110	9,539
\$200,000 under \$500,000	236,781	971,754	136,046	33,631	70,289	10,543	233,128	926,365	148,218	3,549	11,463	1,949
\$500,000 under \$1,000,000	40,898	172,250	24,115	7,980	1,197	163,459	40,206	163,459	10,554	689	2,225	378
\$1,000,000 or more	17,168	70,207	9,829	2,231	4,661	699	16,765	66,587	10,654	1,298	21,298	221

Footnote(s) at end of table.

Table 2—All Returns with Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Tax generated at specified rate—Continued											
	18 percent			20 percent			22 percent			23 percent		
	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
Total	49,027,250	159,229,275	28,661,270	14,899,954	31,011,054	6,202,211	24,675,639	100,299,846	22,065,966	10,016,462	27,913,491	6,420,103
Under \$2,000	—	—	—	—	—	—	—	—	—	—	—	—
\$2,000 under \$4,000	—	—	—	—	—	—	—	—	—	—	—	—
\$4,000 under \$6,000	—	—	—	—	—	—	—	—	—	—	—	—
\$6,000 under \$8,000	—	—	—	—	—	—	—	—	—	—	—	—
\$8,000 under \$10,000	8,517	2,720	490	—	—	—	—	—	—	—	—	—
\$10,000 under \$12,000	50,088	39,371	7,087	—	—	—	—	—	—	—	—	—
\$12,000 under \$14,000	1,725,036	1,412,227	254,201	5,678	7,134	1,427	38,571	38,855	8,548	—	—	—
\$14,000 under \$16,000	2,539,858	4,494,305	808,975	1,224,814	849,350	169,870	35,568	55,196	12,143	—	—	—
\$16,000 under \$18,000	2,378,173	4,891,494	880,469	1,770,735	3,156,507	631,301	21,327	47,842	10,525	852,686	496,122	114,108
\$18,000 under \$20,000	2,472,714	5,229,349	941,283	1,904,799	3,650,579	730,116	24,895	50,997	11,219	1,425,351	2,738,201	629,786
\$20,000 under \$25,000	6,972,178	16,408,033	2,953,446	3,450,035	7,649,813	1,529,963	467,945	428,454	94,260	2,639,443	7,926,856	1,823,177
\$25,000 under \$30,000	6,883,063	22,460,865	4,042,956	2,491,056	5,937,313	1,187,463	2,894,823	7,261,688	1,597,571	1,906,963	6,185,007	1,422,552
\$30,000 under \$40,000	11,336,344	43,644,565	7,856,022	2,466,533	6,006,697	1,201,339	8,214,000	33,510,867	7,372,391	1,865,348	6,167,002	1,418,411
\$40,000 under \$50,000	6,620,372	27,208,742	4,897,574	789,382	1,866,390	373,278	5,763,591	26,012,509	5,722,752	661,303	2,188,447	503,343
\$50,000 under \$75,000	5,589,380	23,316,988	4,197,058	518,528	1,234,876	246,975	5,044,075	22,991,817	5,058,200	427,158	1,418,883	326,343
\$75,000 under \$100,000	1,255,391	5,221,337	939,841	124,054	290,880	58,176	1,130,314	5,152,474	1,133,544	105,899	352,644	81,108
\$100,000 under \$200,000	901,616	3,708,530	667,535	110,028	259,596	51,919	790,421	3,609,036	793,988	92,658	308,284	70,905
\$200,000 under \$500,000	236,473	952,760	171,497	37,176	85,111	17,022	199,207	908,445	199,858	33,608	111,915	25,740
\$500,000 under \$1,000,000	40,882	168,932	30,408	4,506	10,615	2,123	36,369	165,831	36,483	3,817	12,711	2,923
\$1,000,000 or more	17,165	69,056	12,430	2,630	6,193	1,239	14,533	65,838	14,484	2,228	7,419	1,706

Size of adjusted gross income	Tax generated at specified rate—Continued											
	24 percent			25 percent			26 percent			28 percent		
	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate
	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
Total	1,603,478	6,263,723	1,503,294	19,310,456	89,680,929	22,420,232	6,942,749	28,584,143	7,431,877	14,216,827	63,376,983	17,745,555
Under \$2,000	—	—	—	—	—	—	—	—	—	—	—	—
\$2,000 under \$4,000	—	—	—	—	—	—	—	—	—	—	—	—
\$4,000 under \$6,000	—	—	—	—	—	—	—	—	—	—	—	—
\$6,000 under \$8,000	—	—	—	—	—	—	—	—	—	—	—	—
\$8,000 under \$10,000	—	—	—	—	—	—	—	—	—	—	—	—
\$10,000 under \$12,000	—	—	—	—	—	—	—	—	—	—	—	—
\$12,000 under \$14,000	—	—	—	—	—	—	—	—	—	—	—	—
\$14,000 under \$16,000	—	—	—	7,178	5,095	1,274	—	—	—	—	—	—
\$16,000 under \$18,000	—	—	—	20,880	46,595	11,649	—	—	—	6,523	4,208	1,178
\$18,000 under \$20,000	—	—	—	19,217	49,260	12,315	—	—	—	16,378	21,864	6,122
\$20,000 under \$25,000	304,221	445,187	106,845	54,815	146,865	36,716	1,989,576	3,769,249	980,005	50,813	117,117	32,793
\$25,000 under \$30,000	475,204	1,659,389	398,253	423,250	470,292	117,573	1,790,748	7,986,205	2,076,413	169,359	259,233	72,585
\$30,000 under \$40,000	566,723	2,765,454	663,709	6,081,330	21,493,709	5,373,427	1,837,025	9,635,030	2,505,108	2,196,828	5,247,668	1,469,347
\$40,000 under \$50,000	127,368	677,553	162,613	5,536,717	28,266,756	7,066,689	654,434	3,559,175	925,386	4,609,466	19,332,074	5,412,981
\$50,000 under \$75,000	90,039	495,766	118,984	5,002,889	27,310,061	6,827,515	424,545	2,331,682	606,237	4,971,990	26,372,438	7,384,283
\$75,000 under \$100,000	18,007	99,399	23,856	1,125,471	6,181,487	1,545,372	105,899	574,445	149,356	1,137,369	6,217,131	1,740,797
\$100,000 under \$200,000	17,281	95,391	22,894	788,712	4,337,927	1,084,482	92,352	509,277	132,412	803,739	4,410,078	1,234,822
\$200,000 under \$500,000	3,546	19,574	4,698	199,118	1,093,767	273,442	33,608	185,515	48,234	202,409	1,110,630	310,976
\$500,000 under \$1,000,000	689	3,803	913	36,350	199,770	49,942	3,817	21,068	5,478	37,024	203,154	56,883
\$1,000,000 or more	400	2,208	530	14,529	79,344	19,836	2,228	12,299	3,198	14,929	81,368	22,789

Footnote(s) at end of table.

Table 2—All Returns with Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Tax generated at specified rate—Continued											
	30 percent			32 percent			33 percent			34 percent		
	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate
	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)
Total	3,715,326	15,325,832	4,597,750	340,427	1,374,055	439,698	8,983,180	67,629,266	22,317,658	1,987,277	8,116,594	2,759,642
Under \$2,000	—	—	—	—	—	—	—	—	—	—	—	—
\$2,000 under \$4,000	—	—	—	—	—	—	—	—	—	—	—	—
\$4,000 under \$6,000	—	—	—	—	—	—	—	—	—	—	—	—
\$6,000 under \$8,000	—	—	—	—	—	—	—	—	—	—	—	—
\$8,000 under \$10,000	—	—	—	—	—	—	—	—	—	—	—	—
\$10,000 under \$12,000	—	—	—	—	—	—	—	—	—	—	—	—
\$12,000 under \$14,000	—	—	—	—	—	—	—	—	—	—	—	—
\$14,000 under \$16,000	—	—	—	—	—	—	—	—	—	—	—	—
\$16,000 under \$18,000	—	—	—	—	—	—	—	—	—	—	—	—
\$18,000 under \$20,000	—	—	—	—	—	—	—	—	—	—	—	—
\$20,000 under \$25,000	—	—	—	—	—	—	33,146	68,715	22,676	—	—	—
\$25,000 under \$30,000	854,310	1,516,608	454,983	—	—	—	40,685	151,425	49,970	*2,183	*2,755	*937
\$30,000 under \$40,000	1,574,329	6,902,631	2,070,789	106,265	206,862	66,196	88,367	239,237	78,948	776,291	1,976,752	672,096
\$40,000 under \$50,000	632,395	3,348,639	1,004,592	106,995	491,602	157,313	2,226,901	7,130,494	2,353,063	569,859	2,690,709	914,841
\$50,000 under \$75,000	419,995	2,288,297	686,489	87,361	457,641	146,445	4,455,092	36,839,363	12,156,990	410,307	2,190,862	744,893
\$75,000 under \$100,000	102,635	562,667	168,800	17,920	97,292	31,133	1,106,481	11,878,412	3,919,876	101,593	555,780	188,965
\$100,000 under \$200,000	92,020	488,581	146,574	17,274	95,324	30,504	782,862	8,580,148	2,831,449	87,410	480,958	163,526
\$200,000 under \$500,000	33,599	185,115	55,535	3,523	19,323	6,183	198,794	2,183,534	720,566	33,593	185,433	63,047
\$500,000 under \$1,000,000	3,815	21,021	6,306	689	3,803	1,217	36,327	399,301	131,769	3,815	21,059	7,160
\$1,000,000 or more	2,228	12,273	3,682	400	2,208	707	14,525	158,637	52,350	2,226	12,288	4,178

Size of adjusted gross income	Tax generated at specified rate—Continued								
	35 percent			38 percent			42 percent		
	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate
	(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	(69)
Total	183,546	1,273,204	445,621	5,154,645	46,307,453	17,596,832	2,452,746	37,060,085	15,565,236
Under \$2,000	—	—	—	—	—	—	—	—	—
\$2,000 under \$4,000	—	—	—	—	—	—	—	—	—
\$4,000 under \$6,000	—	—	—	—	—	—	—	—	—
\$6,000 under \$8,000	—	—	—	—	—	—	—	—	—
\$8,000 under \$10,000	—	—	—	—	—	—	—	—	—
\$10,000 under \$12,000	—	—	—	—	—	—	—	—	—
\$12,000 under \$14,000	—	—	—	—	—	—	—	—	—
\$14,000 under \$16,000	—	—	—	—	—	—	—	—	—
\$16,000 under \$18,000	—	—	—	—	—	—	—	—	—
\$18,000 under \$20,000	—	—	—	—	—	—	—	—	—
\$20,000 under \$25,000	—	—	—	—	—	—	—	—	—
\$25,000 under \$30,000	—	—	—	—	—	—	—	—	—
\$30,000 under \$40,000	*6,547	*14,010	*4,903	*15,483	*27,378	*10,404	—	—	—
\$40,000 under \$50,000	60,218	157,915	55,270	123,748	247,122	93,906	*11,117	*20,503	*8,611
\$50,000 under \$75,000	77,623	681,637	238,573	400,434	1,638,762	622,730	50,108	144,526	60,701
\$75,000 under \$100,000	17,362	183,573	64,251	2,328,070	14,581,603	5,541,009	474,938	3,186,608	1,338,375
\$100,000 under \$200,000	17,252	185,961	65,087	1,136,670	13,942,396	5,298,110	780,205	7,854,456	3,298,871
\$200,000 under \$500,000	3,455	38,107	13,337	861,404	11,903,928	4,523,493	843,789	18,649,493	7,832,787
\$500,000 under \$1,000,000	689	7,589	2,656	231,954	3,173,054	1,205,761	234,657	5,755,253	2,417,206
\$1,000,000 or more	400	4,412	1,544	40,132	563,712	214,211	40,784	1,028,143	431,820
				16,750	229,498	87,209	17,148	421,104	176,864

Footnote(s) at end of table.

Table 2—All Returns with Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Tax generated at specified rate—Continued											
	45 percent			48 percent			49 percent			50 percent		
	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate	Number of returns	Modified taxable income	Tax generated at rate
	(70)	(71)	(72)	(73)	(74)	(75)	(76)	(77)	(78)	(79)	(80)	(81)
Total	773,989	14,619,020	6,578,559	293,604	4,976,093	2,388,524	453,099	17,023,938	8,341,729	341,059	62,862,926	31,431,463
Under \$2,000	—	—	—	—	—	—	—	—	—	—	—	—
\$2,000 under \$4,000	—	—	—	—	—	—	—	—	—	—	—	—
\$4,000 under \$6,000	—	—	—	—	—	—	—	—	—	—	—	—
\$6,000 under \$8,000	—	—	—	—	—	—	—	—	—	—	—	—
\$8,000 under \$10,000	—	—	—	—	—	—	—	—	—	—	—	—
\$10,000 under \$12,000	—	—	—	—	—	—	—	—	—	—	—	—
\$12,000 under \$14,000	—	—	—	—	—	—	—	—	—	—	—	—
\$14,000 under \$16,000	—	—	—	—	—	—	—	—	—	—	—	—
\$16,000 under \$18,000	—	—	—	—	—	—	—	—	—	—	—	—
\$18,000 under \$20,000	—	—	—	—	—	—	—	—	—	—	—	—
\$20,000 under \$25,000	—	—	—	—	—	—	—	—	—	—	—	—
\$25,000 under \$30,000	—	—	—	—	—	—	—	—	—	—	—	—
\$30,000 under \$40,000	—	—	—	—	—	—	—	—	—	—	—	—
\$40,000 under \$50,000	—	—	—	—	—	—	—	—	—	—	—	—
\$50,000 under \$75,000	6,522	45,661	20,548	72,104	281,260	135,005	*1,337	*3,156	*1,547	—	—	—
\$75,000 under \$100,000	22,732	154,923	69,716	82,613	1,158,859	556,252	5,279	43,147	21,142	8,833	35,823	17,911
\$100,000 under \$200,000	494,066	8,297,870	3,734,041	94,951	2,330,121	1,118,458	204,739	4,377,611	2,145,029	82,780	1,986,402	993,201
\$200,000 under \$500,000	198,840	4,848,327	2,181,747	36,823	1,009,889	484,747	191,094	9,829,660	4,816,534	191,927	16,787,713	8,393,857
\$500,000 under \$1,000,000	36,925	908,104	408,647	4,492	123,726	59,389	36,154	1,979,804	970,104	40,420	14,665,702	7,332,851
\$1,000,000 or more	14,904	364,134	163,860	2,621	72,238	34,674	14,496	790,559	387,374	17,099	29,387,285	14,693,643

* Estimate should be used with caution because of the small number of sample returns on which it is based.

NOTE: Detail may not add to total because of rounding.

Salaries and Wages Reported on Income Tax Returns, by Marital Status and Age, 1983

By Barry Windheim and Charles Crossed*

The proportion of two-earner couples has increased significantly since the late 1960's. For 1969, 46.0 percent of all joint returns with salaries and wages showed earnings from both husband and wife. The percentage of such returns increased to 49.0 percent for 1974, to 53.0 percent for 1979, and to 57.0 percent for 1983.

An examination of the data for Tax Year 1983 shows that having two incomes is definitely a phenomenon associated with younger taxpayers. Over 69 percent of primary taxpayers between the ages of 20 and 29 who were wage earners had working spouses. Only 46 percent of the wage earning primary taxpayers between the ages of 60 and 64 had working spouses.

This article concentrates on two topics which are part of a wealth of research that can be conducted using the Form W-2 wage and earnings statement: the salaries and wages of primary and secondary taxpayers; and the distribution of taxpayers by age. While the salaries and wages for two-earner couples could be obtained from the Schedule W (used to compute the deduction allowed these couples), in the case of one-earner couples, there would not be a method of determining whether the salaries and wages belonged to the primary or secondary taxpayer without matching to Form W-2. In addition, the Schedule W is only available for a limited number of years, 1982 through 1986.

Other topics that can be studied with the help of merged tax return and Form W-2 data are the number of jobs held by workers, the combined impact of Federal income and social security taxes, and the impact of the tax system on two-earner couples. These topics may be subjects for future *Bulletin* articles.

PURPOSE OF FORM W-2 STUDIES

The data presented in this article were obtained from a study that matched a statistical sample of Federal income tax returns with the corresponding Forms W-2 provided to the Internal Revenue Service (IRS) by the taxpayer's employers. For each job held during the year by each wage earner, a Form W-2 provided the amount of salaries and wages, Federal and State income taxes withheld from those wages, and the FICA (social security) taxes withheld.

For purposes of this Form W-2 study, the sample of tax returns used was the 1983 Statistics of Income (SOI) data file. The SOI file for 1983 is a stratified sample of 122,977 Federal individual income tax returns drawn from a population of over 96.5 million tax returns filed for that year. A computer match of these tax return records was made with the 1983 IRS file of Form W-2 data. The match was made by using the social security number.

The matched file was enhanced further to include the age of the taxpayer. Age information was extracted from Social Security Administration's year-of-birth file. This file was made available to IRS for tax administration research purposes.

SALARIES AND WAGES OF PRIMARY AND SECONDARY TAXPAYERS

Use of Forms W-2 data allows a separation to be made between the salaries and wages earned by each spouse, who are referred to as "primary" and "secondary" taxpayers [1]. Based on a study of returns for Tax Year 1979, over 99 percent of joint returns show the husband to be the primary taxpayer. Therefore, a comparison between primary and secondary taxpayers' salaries is virtually a comparison of husbands' salaries and wages with those of wives [2].

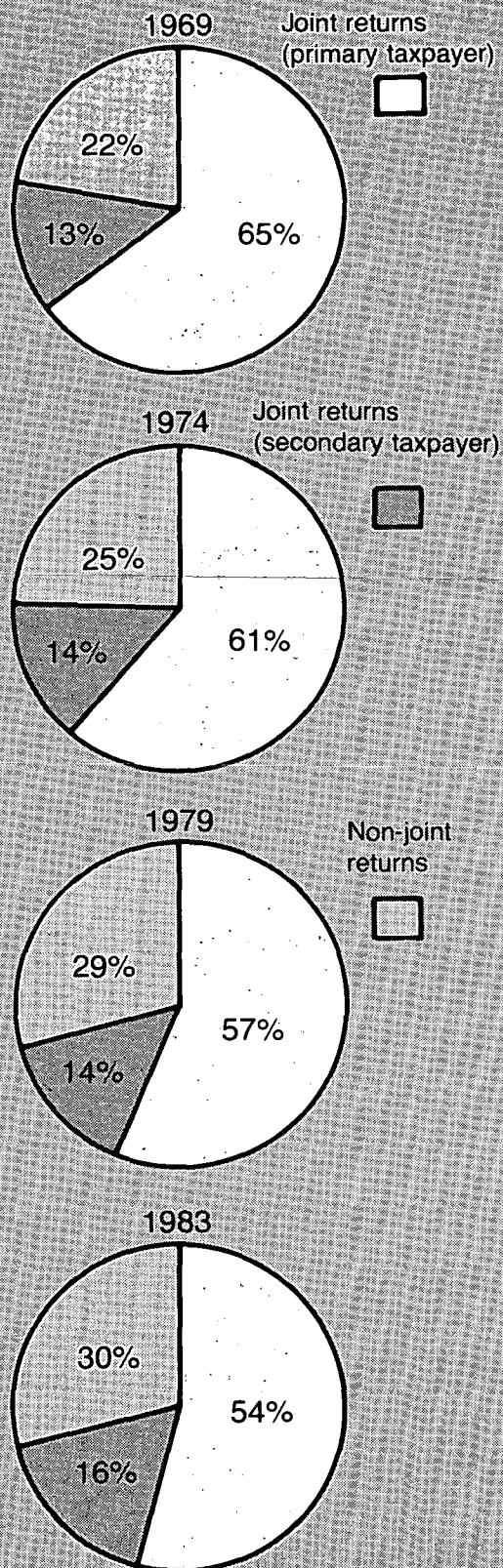
It should be noted that salaries and wages do not tell the whole story about income. A joint return may have income from a sole proprietorship or partnership, or have significant "unearned" income (i.e., dividends, or interest, or pension income), and some of this income may be attributable to one spouse more than the other. However, salaries and wages accounted for more than 85 percent of the AGI reported on joint returns for 1983.

Figure A shows that the percentage of total salaries and wages attributable to secondary taxpayers increased in almost every tax year for which such data are available — that is 1969, 1974, 1979, and 1983. Figure A also indicates that the percentage of total salaries and wages reported on non-joint returns increased significantly during that time period [3].

Table 5 shows the number of joint returns with salaries and wages, cross-classifying these returns by size of the primary and secondary taxpayer's salaries and wages. Counting only two-earner couples, 19 percent of the secondary taxpayers fell into the same income bracket as the

*Individual Special Projects Section. Prepared under the direction of Peter Sailer, Chief.

Figure A.
Salaries and Wages Reported on
Joint and Non-Joint Returns, Tax
Years 1969-1983



primary, 13 percent fell into a higher bracket, and 68 percent fell into a lower bracket. A table with similar data for Tax Year 1979 indicates that only 17 percent of the secondary taxpayers fell into the same income bracket as the primary, while 10 percent fell into a higher bracket and 73 percent fell into a lower bracket [4].

AGE OF TAXPAYERS

The 1983 W-2 File also includes information on the age of the taxpayer. Looking again only at two-earner couples, Figure B shows that the proportion of couples that had two earners in 1983 tended to vary inversely with the age of the taxpayer. On returns with employed "primary" taxpayers between the ages of 20 and 29, over 69 percent of the "secondary" taxpayers were also employed. On the other hand, for employed primary taxpayers between 55 and 59, the percentage of employed secondary taxpayers dropped to 51.6 percent, and for those between 60 and 64, to 46.4 percent.

Figure B—Joint Returns on which Primary Taxpayers
reported Salaries and Wages, by Age Group, 1983

(Number of returns in thousands)

Age Group	Primary taxpayers with salaries and wages (1)	Working spouses with salaries and wages	
		Number (2)	Percentage (3)
Total	36,797	22,619	61.5%
Under 20	172	96	55.9
20 under 24	2,183	1,516	69.4
25 under 29	4,988	3,440	69.0
30 under 34	5,413	3,533	65.3
35 under 39	5,258	3,377	64.2
40 under 44	4,195	2,776	66.2
45 under 49	3,647	2,390	65.5
50 under 54	3,216	1,914	59.5
55 under 59	3,190	1,646	51.6
60 under 64	2,937	1,362	46.4
65 and over	1,599	568	35.6

Note: Detail may not add to totals because of rounding.

The age data were obtained by matching the primary and secondary taxpayer's social security number (SSN) for each tax return to the year-of-birth file which contains data supplied by the taxpayers when they first applied for their SSN's.

As shown in Figure C, taxpayers represented approximately 60 percent of the total population [5]. (On a joint return, each taxpayer was counted separately in his or her own age group [6].) However, the percentage of the population represented by taxpayers varies considerably by age. It is particularly low for the young (under age 19) and the elderly (ages 65 and over). Between the ages of 15 to 19, only 36.5 percent of the total population is reflected in the tax return data. However, tax returns were filed by 91 percent of the population between ages 35 and 39 and 88 percent between ages 45 and 49. Again, between 65 and 69, there is a dramatic drop to 66 percent.

Figure C. — All Taxpayers Compared to Total Population Reported by the Bureau of the Census, by Age Group, 1983

(Numbers are in thousands)

Age group	Taxpayers ¹	Population	Taxpayers as percentage of population
	(1)	(2)	(3)
Total.....	137,524	234,799	59.5%
Under 15.....	701	51,709	1.4
15 to 19.....	7,042	19,313	36.5
20 to 24.....	16,790	21,700	77.4
25 to 29.....	18,108	21,321	84.9
30 to 34.....	16,484	19,281	85.5
35 to 39.....	14,754	16,214	91.0
40 to 44.....	11,828	13,154	89.9
45 to 49.....	9,917	11,231	88.3
50 to 54.....	9,262	11,214	82.6
55 to 59.....	9,460	11,528	82.1
60 to 64.....	8,599	10,705	80.3
65 to 69.....	6,066	9,182	66.1
70 to 74.....	3,948	7,312	54.0
75 to 79.....	2,402	5,227	46.0
80 to 84.....	1,187	3,168	37.5
85 and over.....	978	2,539	38.5

¹ On joint returns, ages of both taxpayers were obtained from the year-of-birth file. When there was no age available, an age was imputed based on the presence or absence of age exemptions and, in the case of joint returns, the age of one spouse.

NOTE: Census counts are for residents as of July 1, 1983; IRS data include any individual alive during 1983, including citizens abroad. Detail may not add to totals because of rounding.

In this connection, it should be noted that the filing requirements for taxpayers age 65 and over are considerably more liberal than those for younger persons [7]. It should also be noted that the drop off for the higher age groups evident in the 1983 data will probably be lessened in later years because Social Security became partially taxable beginning in 1984. In addition, beginning with Tax Year 1987, more children with unearned incomes being claimed on their parents' returns are required to file their own returns.

The data in Figure D show, by age, taxpayers with earned income relative to the "labor force" [8]. Overall, there was only a 4 percent difference between the labor force and the number of taxpayers showing some earned income. In most of the age groups under 60, fewer people were represented in the IRS data because the labor force included workers who failed to file tax returns or did not meet the tax return filing requirements. As might be expected, the latter was particularly evident for teenagers, most of whom worked only part-time or on summer jobs.

Figures D and E and Tables 1 through 4 show data which are limited to taxpayers with earned income (salaries and wages and self-employment income). The average AGI for all taxpayers with earned income in 1983 was \$16,449. Taxpayers aged 75 and over had the highest average AGI, \$28,054. It should be noted that this figure is based on a very small sample of returns, since most people in this age group did not have any earned income, and were thus not in the W-2 File. As expected, taxpayers below age 20 had the lowest incomes, with an average of \$3,624. Thereafter, average income rose steadily, reaching \$22,146 for taxpayers between the ages of 50 and 64, then dropped again slightly to \$21,153 for taxpayers between the ages of 65 and 74.

Figure D. — Taxpayers With Earned Income Compared to the Labor Force, as Reported by the Bureau of Labor Statistics, by Age Group, 1983

(Numbers are in thousands)

Age group	Taxpayers with earned income	Labor force	Percentage difference
	(1)	(2)	(3)
Total.....	109,417	113,750	4.0%
Under 15.....	128	N/A	N/A
15 to 19.....	6,512	8,420	22.7
20 to 24.....	15,697	16,915	7.8
25 to 29.....	16,032	17,167	6.6
30 to 39.....	26,966	28,643	6.2
40 to 49.....	19,677	19,457	-1.1
50 to 59.....	14,676	15,377	4.8
60 to 64.....	5,915	4,730	-25.1
65 and over.....	3,814	3,041	-20.3

N/A — not applicable. slightly to \$21,153 for taxpayers between the ages of 65 and 74.

For a joint return, ages of both taxpayers were obtained. Separate information on their salaries and wages was already available as a result of the match to Forms W-2 (described earlier). Self-employment income was available separately for husband and wife to the extent that they were subject to the self-employment tax. The self-employment tax is levied under the social security system and reported by each individual who has self-employment earnings of at least \$400 derived from a sole proprietorship or from any share of partnership profits. Each spouse, if self-employed, attached a separate Schedule SE, Computation of Social Security Self-Employment Tax, to their joint Form 1040. Total adjusted gross income (AGI) and total tax liability of each

Figure E.—Taxpayers With Earned Income, by Age Group, Tax Year 1983

Age group	Average adjusted gross income	Average earned income
	(1)	(2)
Total		
All taxpayers.....	\$16,449	\$15,378
Primary.....	25,031	22,453
Secondary.....	11,081	10,207
Other (non-joint).....	11,848	17,266
Under 20		
All taxpayers.....	3,624	3,427
Primary.....	8,334	8,337
Secondary.....	3,410	3,602
Other (non-joint).....	3,503	3,277
20 to 39		
All taxpayers.....	14,222	14,029
Primary.....	20,620	20,280
Secondary.....	12,807	9,958
Other (non-joint).....	11,726	10,598
40 to 49		
All taxpayers.....	20,371	19,935
Primary.....	28,998	28,086
Secondary.....	11,232	11,075
Other (non-joint).....	16,603	16,160
50 to 64		
All taxpayers.....	22,146	19,360
Primary.....	29,328	25,673
Secondary.....	12,823	10,679
Other (non-joint).....	17,096	20,660
65 to 74		
All taxpayers.....	21,153	11,254
Primary.....	26,948	13,988
Secondary.....	14,250	6,736
Other (non-joint).....	14,603	6,992
75 and over		
All taxpayers.....	28,054	9,848
Primary.....	37,662	12,671
Secondary.....	14,183	6,217
Other (non-joint).....	19,674	7,170

spouse on a joint return, was estimated by allocating these amounts between the spouses on the basis of their earned incomes [9]. Earned income, for the purpose of this article, was defined as the sum of salaries and wages and self-employment income. The limitations of this concept are discussed below, under Data Sources and Limitations.

The distribution of AGI by age for the primary and secondary taxpayers on joint returns and for taxpayers on non-joint returns was similar. In all age groups, the average AGI of primary taxpayers on joint returns was much higher than the average AGI of secondary taxpayers. Primary taxpayers had an average AGI of \$25,031, while secondary taxpayers had an average of \$11,081. Furthermore, the average AGI for non-joint returns was also much lower, \$11,848.

DATA SOURCES AND LIMITATIONS

The statistics in this study were based on a sample of individual income tax returns. Because the data presented in this article are estimates based on this sample, they are subject to sampling as well as nonsampling error.

To use these data properly, the magnitude of the sampling error must be known. Coefficients of variation, computed from the sample, are used to measure the magnitude of the sampling error. Figure F presents approximate coefficients of variation for frequency estimates.

Figure F.—Approximate Coefficients of Variation for Frequency Estimates, Tax Year 1983

Estimated number of taxpayers	Approximate coefficient of variation
28,495 .....	.01
7,124 .....	.02
3,166 .....	.03
1,781 .....	.04
1,140 .....	.05
285 .....	.10
127 .....	.15
71 .....	.20
18 .....	.30
14 .....	.40
12 .....	.50

Nonsampling error can occur because of several factors. The social security number is the basis of matching the IRS Form W-2 data and the age information with the SOI sample of tax returns; incorrect numbers may have led to false matches or false nonmatches. At the time of the match, approximately 8 percent of the Form W-2 records had not been posted to the IRS Information Returns Master File. If both the salaries and wages and the income tax withheld shown on Forms W-2 fell short of the amounts on the tax return, an additional Form W-2 record was created for the statistics to cover any differences between the amount reported on the tax return, and the sum of the amounts reported on all of the Forms W-2 for that tax return. (The

imputed wages were divided between spouses using the distribution of qualified income on the Schedule W, Deduction for a Married Couple When Both Work). However, it is possible that the imputed amounts were too high, since certain types of salaries and wages are not included on Forms W-2 [2].

As shown in Figure G, the data for salaries and wages from the tax return and from Forms W-2 were not entirely comparable. Salaries and wages on the tax return included all salaries and wages whether or not they were subject to withholding. Director's fees, bonuses, and wages from certain Forms 1099 can be reported on the salary and wage line of the tax return, but are not included on Forms W-2 [10].

There are also limitations in the self-employment income on Schedule SE. In this particular instance, there are data available for comparison purposes on the Form 1040 only for taxpayers who filed a Schedule W (Deduction for a Married Couple When Both Work). Based on a study of returns with a Schedule W, the amounts on Schedule SE tend to be understated. Figure G also shows a comparison of self-employment income on Schedule SE and self-employment income on Schedule W. In the lower AGI classes, some taxpayers with self-employment income do not file a Schedule SE because they have less than \$400 in net earnings. Other low-income taxpayers use the "optional method" of computing self-employment tax which sets net self employment income at 66 percent of their gross profits, and not their net profits. In the upper AGI classes, taxpayers could have salaries and wages greater than \$35,700, and therefore not be subject to the self-employment tax. Other taxpayers in the higher AGI classes may have only reported the amount of self-employment income subject to tax, even though they should have reported the full amount on the Schedule SE. These amounts of self-employment income are therefore not included in the definition of earned income used for this article.

Figure G also shows a comparison of earned income as defined in this article to earned income on Schedule W. When earned income shown on Schedule W by two-earner couples (presumably a "pure" figure) was compared to earned income as computed for this article, the total figure used for this article and that from the Schedule W was within 1 percent.

Age data were obtained by subtracting the year of birth from 1983; therefore, for most taxpayers, they represent age at the end of the tax year. When the taxpayer could not be found on the year-of-birth file, the age was imputed based on the presence or absence of age exemptions and, in the case of joint returns, the age of one spouse (which was deemed to be the same for the other spouse). It is possible that the imputed number of taxpayers in certain age groups could be too high or too low, particularly in the cases where

the age of both primary and secondary taxpayers were missing. Of the approximately 96.5 million taxpayers represented in the 1983 Individual SOI File, 3.1 percent did not have an age recorded on the year-of-birth file.

Figure G.—Data Items as used in this Article as Percentages of Comparable Items from Tax Returns, Tax Year 1983

	Salaries and wages ¹	Self employment income ²	Earned income ³
	(1)	(2)	(3)
Total.....	99.0	77.4	99.1
Under \$5,000 ⁴	102.8	91.4	95.7
\$5,000 under \$10,000.....	97.7	86.3	98.1
\$10,000 under \$15,000.....	98.6	72.4	96.6
\$15,000 under \$20,000.....	98.9	86.4	99.5
\$20,000 under \$25,000.....	99.2	96.4	100.7
\$25,000 under \$30,000.....	99.7	79.3	99.7
\$30,000 under \$50,000.....	99.4	91.3	100.3
\$50,000 under \$100,000.....	98.9	81.6	99.2
\$100,000 under \$200,000.....	97.4	85.0	98.4
\$200,000 under \$500,000.....	97.9	22.6	69.3
\$500,000 under \$1,000,000.....	97.1	46.6	88.1
\$1,000,000 or more.....	96.3	56.1	86.5

¹ Amounts from Form W-2 as percent of amounts from tax return.

² For taxpayers with Schedule W only, amounts from Schedule SE as percent of total Schedule W less salaries and wages.

³ For taxpayers with Schedule W only, Form W-2 salaries and wages plus Schedule SE self-employment income, as percent of total Schedule W earned income.

⁴ Includes returns with no adjusted gross income.

There is a slight discrepancy between age exemptions shown in *Statistics of Income—1983, Individual Income Tax Returns* (14,819,000) and taxpayers age 65 and over shown in this article (14,581,000). Several conditions may have contributed to this discrepancy, including incorrect transcription of SSN's, errors in date of birth given at the time of application for SSN, and the filing of non-calendar year returns by taxpayers who turned 65 after December 31, 1983. However, according to a previous IRS study, the major reason for the discrepancy appears to be taxpayers improperly claiming the age exemption [11].

DEFINITIONS

Most of the items shown in the tabulations following this article are defined in the annual *Statistics of Income—Individual Income Tax Returns*. Definitions of terms in this article but not in the SOI volumes are given below.

Form W-2, Wage and Tax Statement, 1983.—This form is provided for all employees who receive wages or from whom income tax or social security tax was withheld, or from whom income tax would have been withheld if the employee had not claimed more than one withholding allowance or had not claimed exemption from withholding on Form W-4. The form provided the employer identification number and the employee's social security number. The Form W-2 also showed total wages and other compensation paid, whether they were subject to withholding or not; the amounts deducted for income tax and social security tax, including hospital insurance; and the total amount of advance "earned income credit" payments.

FICA Tax Withheld.—This amount is shown on Form W-2 and is withheld in accordance with the Federal Insurance Contributions Act (FICA). The tax withheld is computed on total wages paid. The tax rate for 1983 was 6.67 percent, limited to the first \$35,700 of wages paid each employee during the calendar year. The FICA wages may differ from income tax wages. In some cases, FICA wages may be less than wages for income tax purposes because they may exclude certain fees or honoraria. On the other hand, the FICA wages may be greater because they include certain deferred compensation deducted from income tax salaries under section 401(k) of the Internal Revenue Code or other items such as value of meals and lodging which is excluded from income for only income tax purposes.

Earned Income.—For purposes of this article, earned income was defined as the sum of salaries wages from Form W-2 and self-employment income from Schedule SE.

Taxpayer.—In this article, taxpayer is defined as anyone who filed an individual tax return, whether or not that return showed a tax liability for the year. There were two taxpayers on a joint return.

NOTES AND REFERENCES

- [1] For Internal Revenue tax return processing purposes, the "primary taxpayer" on a joint return is the one whose social security number is reported on the individual income tax return in the position called "Your social security number." The secondary taxpayer is the one whose social security number is reported in the position called "Spouse's social security number."
- [2] Crabbe, Patricia, and Gross, Elizabeth L., "Taxpayers Classified by Sex," *Statistics of Income Bulletin*, Spring 1985, Volume 4, Number 4. All data cited for Tax Year 1979 came from this article. Data for Tax Years 1969 and 1974 are taken from the respective issues of *Statistics of Income—Individual Income Tax Returns*.
- [3] Non-joint returns include those of single taxpayers, of unmarried heads of households, of surviving spouses with dependent children, and a small number of married persons filing separately. The latter group is difficult to characterize demographically, since while these couples are legally married, many are in fact not living together. From 1979 to 1983, the increase in the proportion of salaries and wages accounted for by non-joint returns occurred in spite of a reduction from 43.1 million to 42.6 million in the number of non-joint returns with salaries and wages.
- [4] The tables for 1979 and 1983 had slightly different

income classes, therefore the percentages for both years were computed after the data were combined into the following income brackets: \$1 under \$5,000, \$5,000 under \$10,000, \$10,000 under \$15,000, \$15,000 under \$20,000, \$20,000 under \$50,000, \$50,000 under \$100,000, \$100,000 and over.

[5] U.S. Department of Commerce, Bureau of the Census, *Population Estimates and Projections*, Series P-25, Table 1—Total Population Including Armed Forces Overseas—Estimates, by Age, Sex, and Race.

[6] It should be noted that the age data presented in this article are not exactly comparable to those for Tax Year 1981 presented by Ralph Bristol in "Age and Tax Filing," *Statistics of Income Bulletin*, Fall 1985, Volume 2, Number 2. In the current article, each taxpayer is classified in his or her own age category, whereas Dr. Bristol classified returns by age of the primary taxpayer.

[7] The filing requirements in 1983 for single taxpayers under 65 was \$3,300, for taxpayers 65 and over it was 4,300. On a joint return, if both taxpayers were under 65, the filing requirement was \$5,400. If one taxpayer was 65 or over, the requirement was \$6,400, and if both were 65 or over the requirement was \$7,400. A qualifying widow(er) with a dependent child under 65

was required to file with an income of at least \$4,400, and if the taxpayer was 65 or over, the requirement was \$5,400.

[8] Bureau of Labor Statistics, *Current Population Survey*, annual averages (for military personnel, unpublished annual averages), 1983.

[9] For the purposes of this article, it was assumed that the benefits of unearned income (e.g. interest from a savings account) accrued to each taxpayer in proportion to their current year's earnings. Examples of cases where this method would not be accurate are couples whose relative earnings were radically different in a previous year and spouses who inherited disproportionately large amounts of assets.

[10] Forms 1099 are a series of forms on which various types of income are reported by the payer to IRS. These include Form 1099-DIV, Statement for Recipient of Dividend Income. Similar forms are used, for example, for reporting interest, certain Government payments, rents, and royalties.

[11] Szilagyi, John, *Monitoring Age 65 Exemptions: Test of the Alternative Strategies for Tax Administration (ASTA) Program*, U.S. Department of the Treasury, Internal Revenue Service, October 1987.

Table 1—All Taxpayers with Earned Income on Joint Returns: Income and Tax Items by Size of Adjusted Gross Income

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of Adjusted gross income	Adjusted gross income		Salaries and wages		Self-employment earnings		FICA taxes		Self-employment tax		Total tax liability	
	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total.....	109,359,491	1,798,833,277	104,108,766	1,630,240,769	9,117,416	110,958,323	92,852,658	84,355,754	8,981,154	7,796,259	96,715,839	260,524,451
Under \$5,000 ¹	15,139,900	22,340,097	14,253,923	43,004,127	1,163,281	4,358,316	12,967,492	2,354,529	1,124,002	353,736	4,995,093	834,832
\$5,000 under \$10,000.....	14,888,376	103,400,271	13,975,841	95,882,982	1,404,679	6,917,311	12,657,894	5,618,964	1,399,676	639,785	13,005,971	5,007,739
\$10,000 under \$15,000.....	14,055,068	149,612,314	13,369,183	139,693,214	1,159,688	8,430,964	12,036,655	8,138,338	1,156,864	781,980	13,714,813	12,484,008
\$15,000 under \$20,000.....	12,150,288	168,464,558	11,591,358	155,557,531	1,067,983	9,115,250	10,354,316	8,971,622	1,059,950	843,770	12,047,134	17,441,155
\$20,000 under \$25,000.....	11,220,656	182,548,112	10,729,467	169,825,582	896,649	8,516,286	9,467,769	9,588,420	889,677	787,361	11,163,918	20,973,318
\$25,000 under \$30,000.....	10,098,700	190,524,308	9,717,208	179,960,310	747,555	7,754,876	8,595,695	10,054,639	744,826	712,942	10,066,332	23,609,761
\$30,000 under \$50,000.....	24,032,935	568,719,203	23,242,260	527,768,232	1,717,855	23,620,567	20,416,680	28,311,601	1,701,186	1,989,257	23,965,975	80,720,761
\$50,000 under \$100,000.....	6,732,040	262,588,892	6,329,215	228,384,690	731,630	23,520,422	5,547,307	9,663,436	695,049	1,267,503	6,717,526	50,759,269
\$100,000 under \$200,000.....	805,059	74,485,131	698,723	54,396,427	172,808	10,609,038	625,733	1,246,351	160,259	319,312	802,910	20,114,295
\$200,000 under \$500,000.....	195,777	40,610,872	167,724	24,579,438	44,517	4,932,215	152,575	333,938	40,122	81,399	195,522	13,905,171
\$500,000 under \$1,000,000.....	28,562	14,507,397	23,669	6,153,542	7,666	1,395,074	21,232	49,926	6,840	13,729	28,534	5,469,057
\$1,000,000 or more.....	12,130	21,032,124	10,195	5,034,694	3,105	1,788,003	9,310	23,991	2,703	5,486	12,111	8,405,085

¹ Includes returns with adjusted gross deficit.**Table 2—Primary Taxpayers with Earned Income on Joint Returns: Income and Tax Items by Size of Adjusted Gross Income**

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of Adjusted gross income	Adjusted gross income		Salaries and wages		Self-employment earnings		FICA taxes		Self-employment tax		Total tax liability	
	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total.....	39,717,021	994,162,892	36,774,995	886,639,124	5,414,934	83,122,757	32,455,675	43,563,499	5,306,862	5,590,261	37,553,989	155,838,667
Under \$5,000 ¹	1,474,685	-5,834,121	1,112,043	6,318,283	458,345	2,238,638	934,171	274,266	433,750	167,911	472,258	246,391
\$5,000 under \$10,000.....	2,937,394	18,891,025	2,447,651	15,925,510	719,917	3,683,724	2,083,091	894,765	717,164	338,925	2,109,927	605,788
\$10,000 under \$15,000.....	4,036,848	41,229,946	3,626,795	36,478,290	711,904	5,328,470	3,157,031	2,078,480	709,080	497,552	3,882,402	2,511,221
\$15,000 under \$20,000.....	4,351,095	60,650,898	3,996,248	53,935,395	713,113	6,564,356	3,502,384	3,126,006	706,218	607,914	4,291,917	5,024,475
\$20,000 under \$25,000.....	4,869,118	85,558,738	4,546,589	78,211,216	605,863	6,486,182	4,043,773	4,564,778	600,029	599,604	4,831,157	8,400,978
\$25,000 under \$30,000.....	4,892,305	105,525,093	4,685,057	99,980,788	462,175	5,576,170	4,145,960	5,666,884	460,035	514,482	4,867,989	11,709,449
\$30,000 under \$50,000.....	12,726,031	370,495,427	12,265,938	350,549,222	1,122,344	18,560,789	10,903,950	18,866,704	1,107,173	1,546,154	12,680,490	51,211,945
\$50,000 under \$100,000.....	3,767,169	193,120,304	3,519,950	168,304,793	475,110	19,182,036	3,157,799	6,795,936	442,751	988,670	3,757,199	36,870,751
\$100,000 under \$200,000.....	507,863	61,860,280	440,877	46,017,629	111,261	8,965,572	404,166	972,308	100,634	252,926	506,381	16,548,799
\$200,000 under \$500,000.....	127,813	33,975,388	110,934	21,405,881	28,291	4,082,451	102,442	264,699	24,485	62,633	127,605	11,553,135
\$500,000 under \$1,000,000.....	18,727	11,920,812	15,951	5,326,950	4,781	1,065,560	14,457	39,878	4,064	9,815	18,704	4,490,675
\$1,000,000 or more.....	7,973	16,769,101	6,962	4,185,166	1,830	1,388,809	6,451	18,794	1,479	3,674	7,960	6,665,061

¹ Includes returns with adjusted gross deficit.

Table 3—Secondary Taxpayers With Earned Income Reported on Joint Returns: Income and Tax Items by Size of Adjusted Gross Income

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Adjusted gross income		Salaries and wages		Self-employment earnings		FICA taxes		Self-employment tax		Total tax liability	
	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total.....	26,662,438	295,455,216	25,603,729	268,547,828	1,689,729	10,041,790	22,430,978	14,749,973	1,681,715	834,437	25,456,676	39,523,178
Under \$5,000 ¹	728,818	-2,658,217	652,365	2,657,007	95,000	333,001	571,722	150,282	93,340	29,341	201,450	55,653
\$5,000-\$10,000.....	1,672,422	8,035,474	1,570,811	7,755,845	146,779	435,602	1,412,731	461,741	146,736	40,653	1,178,618	195,940
\$10,000-\$15,000.....	2,449,787	15,075,046	2,347,485	13,964,024	168,424	761,180	2,117,168	808,292	168,424	69,827	2,351,239	893,782
\$15,000-\$20,000.....	2,800,729	21,688,627	2,686,921	19,288,454	190,438	985,274	2,404,115	1,119,296	190,438	90,818	2,762,822	1,801,339
\$20,000-\$25,000.....	3,315,599	29,150,219	3,198,516	26,823,981	177,177	694,269	2,824,835	1,518,558	176,039	64,199	3,297,422	2,843,140
\$25,000-\$30,000.....	3,292,263	32,771,318	3,163,629	30,536,115	183,487	899,577	2,789,850	1,751,596	183,487	83,330	3,286,234	3,687,110
\$30,000-\$50,000.....	9,428,486	130,297,039	9,170,873	116,013,521	458,426	2,555,535	7,928,523	6,331,004	457,422	234,615	9,409,088	17,275,435
\$50,000-\$100,000.....	2,659,076	49,764,896	2,540,043	45,583,259	204,031	2,083,280	2,149,340	2,367,118	200,780	166,018	2,655,103	9,282,908
\$100,000-\$200,000.....	250,077	6,424,906	218,406	4,266,353	50,709	755,937	185,028	187,759	50,039	41,947	249,554	1,710,608
\$200,000-\$500,000.....	54,659	2,776,551	46,389	1,277,003	12,152	308,062	40,486	45,551	11,971	10,473	54,627	972,934
\$500,000-\$1 million.....	7,563	1,030,059	5,994	230,418	2,167	76,310	5,204	6,098	2,126	2,182	7,561	359,995
\$1 million or more.....	2,959	1,099,297	2,297	151,847	939	153,761	1,976	2,678	913	1,033	2,958	444,333

¹ Includes returns with adjusted gross deficit.**Table 4—Taxpayers With Earned Income Reported on Non-Joint Returns by Size of Adjusted Gross Income**

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Adjusted gross income		Salaries and wages		Self-employment earnings		FICA taxes		Self-employment tax		Total tax liability	
	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total.....	42,980,032	509,215,169	41,730,042	475,053,818	2,012,753	17,793,776	37,966,005	26,042,281	1,992,577	1,371,561	33,705,174	65,162,606
Under \$5,000 ¹	12,936,397	30,832,435	12,489,515	34,028,837	609,936	1,786,677	11,461,599	1,929,980	596,912	156,483	4,321,385	532,788
\$5,000 under \$10,000.....	10,278,560	76,473,772	9,957,379	72,201,626	537,983	2,797,985	9,162,072	4,262,458	535,776	260,207	9,717,426	5,006,011
\$10,000 under \$15,000.....	7,568,433	93,307,322	7,394,903	89,250,901	279,360	2,341,314	6,762,456	5,251,566	279,360	214,601	7,481,172	9,079,005
\$15,000 under \$20,000.....	4,998,464	86,125,033	4,908,189	82,333,682	164,432	1,565,619	4,447,817	4,726,320	163,294	145,038	4,992,395	10,615,340
\$20,000 under \$25,000.....	3,035,939	67,839,154	2,984,362	64,790,385	113,609	1,335,836	2,599,161	3,505,084	113,609	123,559	3,035,339	9,729,200
\$25,000 under \$30,000.....	1,914,132	52,227,896	1,868,522	49,443,407	101,893	1,279,128	1,659,885	2,636,159	101,304	115,129	1,912,109	8,213,202
\$30,000 under \$50,000.....	1,878,418	67,926,737	1,805,449	61,205,489	137,085	2,504,242	1,584,207	3,113,893	136,591	208,487	1,876,397	12,233,380
\$50,000 under \$100,000.....	305,795	19,703,691	269,222	14,496,637	52,489	2,255,106	240,168	500,382	51,518	112,815	305,224	4,605,610
\$100,000 under \$200,000.....	47,119	6,199,945	39,440	4,112,445	10,838	887,530	36,539	86,285	9,586	24,439	46,975	1,854,888
\$200,000 under \$500,000.....	13,305	3,858,933	10,401	1,896,553	4,074	541,702	9,647	23,688	3,666	8,293	13,290	1,379,102
\$500,000 under \$1,000,000.....	2,272	1,556,525	1,724	596,174	718	253,204	1,571	3,950	650	1,731	2,269	618,387
\$1,000,000 or more.....	1,198	3,163,726	936	697,681	336	245,433	883	2,518	311	778	1,193	1,295,691

¹ Includes returns with adjusted gross deficit.

Table 5—Joint Returns with Salaries and Wages Reported on Form W-2: Number of Returns by Size of Primary Taxpayer's and by Size of Secondary Taxpayer's Salaries and Wages

(All figures are estimates based on samples)

Size of primary taxpayer's salaries and wages	Total number of joint returns	Number of returns by size of secondary taxpayer's salaries and wages										
		No salaries and wages	\$1 under \$5,000	\$5,000 under \$10,000	\$10,000 under \$15,000	\$15,000 under \$20,000	\$20,000 under \$25,000	\$25,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total	39,786,727	14,178,973	7,778,205	6,120,481	5,391,815	3,256,796	1,650,960	796,453	538,850	65,092	7,791	1,310
No salaries and wages	2,989,745	—	878,234	662,191	605,629	416,374	188,699	116,295	98,405	21,303	2,267	348
\$1 under \$5,000	3,839,414	1,462,742	866,256	596,003	449,296	223,552	123,857	68,055	45,085	4,126	322	120*
\$5,000 under \$10,000	3,638,917	1,495,513	780,409	664,861	384,129	167,651	76,288	38,836	29,545	1,372	253*	59*
\$10,000 under \$15,000	4,821,874	1,747,944	1,014,974	886,151	673,435	313,079	113,767	42,760	27,270	2,434	23*	37
\$15,000 under \$20,000	5,440,163	1,755,261	1,018,749	904,941	928,995	528,651	194,805	74,546	31,972	2,054	189*	—
\$20,000 under \$25,000	5,054,419	1,691,099	900,725	791,334	784,283	493,906	253,803	91,622	44,694	2,907	**	45*
\$25,000 under \$30,000	4,486,029	1,697,051	681,128	613,735	598,669	440,123	273,380	122,696	55,876	3,007	341*	23*
\$30,000 under \$50,000	7,367,906	3,150,360	1,278,655	835,234	828,644	569,554	353,976	194,159	148,025	8,791	474	34
\$50,000 under \$100,000	1,718,076	907,898	293,314	142,415	121,709	90,365	61,118	41,139	46,450	12,407	1,144	117
\$100,000 under \$200,000	337,523	210,527	53,444	19,306	13,890	11,498	9,272	4,805	8,155	4,692	1,819	115
\$200,000 under \$500,000	83,435	54,117	11,462	4,037	2,838	1,842	1,767	1,408	3,095	1,749	819	301
\$500,000 under \$1,000,000	7,446	5,212	684	236	265	164	188	105	218	191	100	83
\$1,000,000 or more	1,779	1,249	171	37	33	37	40	27	60	59	39	27

* Estimate should be used with caution because of the small number of sample returns on which it is based.

** Data combined to avoid disclosure of information for specific taxpayers.

Note: Detail may not add to totals because of rounding.

Table 6.—All Taxpayers with Earned Income: Income and Tax Items by Age Group

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Age group	Adjusted gross income		Salaries and wages		Self-employment earnings		FICA taxes		Self-employment tax		Total tax liability	
	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total	109,359,491	1,798,833,277	104,108,766	1,630,240,769	9,117,416	110,958,323	92,852,658	84,355,754	8,981,154	7,796,259	96,715,839	260,524,451
Under 15	129,057	665,834	112,432	611,417	16,625	23,812	75,105	25,686	—	—	74,878	22,956
15 under 20	6,611,678	23,401,169	6,481,263	22,028,048	79,643	260,461	6,141,634	1,331,544	96,268	25,904	2,972,820	1,155,754
20 under 25	15,696,782	132,531,367	15,523,431	130,676,978	429,585	2,377,780	14,585,595	7,849,395	4,429,063	215,515	12,758,431	13,069,400
25 under 30	16,032,214	215,468,084	15,667,920	215,000,710	876,169	6,502,834	14,214,852	12,432,741	866,697	567,880	144,557,944	5,564,873
30 under 35	14,250,353	243,187,502	13,658,518	229,731,253	1,131,648	13,156,848	12,281,955	12,510,847	1,118,886	1,001,527	13,183,361	29,904,281
35 under 40	12,715,604	243,585,229	12,122,065	237,793,430	1,188,684	14,902,012	104,721,910	120,082,937	1,166,243	1,034,500	11,924,252	33,083,329
40 under 45	11,396,031	223,249,820	10,746,294	213,366,383	1,126,495	16,408,507	9,209,360	10,393,393	1,103,857	1,109,292	10,570,419	32,971,433
45 under 50	8,221,259	176,366,342	7,735,579	165,292,792	848,305	12,735,919	6,840,246	8,045,597	831,311	860,855	7,823,938	28,112,357
50 under 55	7,705,636	165,223,989	7,209,306	148,690,049	842,879	11,729,921	6,238,523	7,052,596	8,268,873	785,035	7,256,789	28,001,692
55 under 60	6,971,925	157,781,167	6,441,978	132,133,393	806,273	10,849,445	5,655,580	6,480,805	795,182	739,635	6,700,268	27,651,258
60 under 65	5,914,652	133,031,216	5,254,353	99,642,285	950,984	13,315,237	4,485,875	4,605,146	936,924	892,445	5,593,168	24,094,248
65 under 70	2,329,955	48,390,366	1,993,671	24,385,662	440,080	4,684,859	1,639,322	1,104,741	432,720	310,825	2,023,912	9,104,388
70 under 75	953,784	21,069,461	761,450	7,149,898	231,214	2,338,892	585,197	306,382	229,591	153,682	825,082	43,433,272
75 under 80	348,507	9,280,429	259,393	2,215,670	99,478	1,054,412	181,792	88,491	98,835	66,353	302,124	2,071,410
80 under 85	92,548	3,342,931	65,233	685,591	31,081	432,967	41,690	26,642	30,930	22,598	76,084	843,577
85 under 95	57,320	1,876,355	43,870	496,369	18,092	178,016	18,165	13,772	17,593	9,922	43,033	442,219
95 and over	32,186	384,719	32,010	340,842	181	6,220	5,857	5,239	181	289	29,336	43,290

Note: Detail may not add to totals because of rounding.

Table 7—Primary Taxpayers with Earned Income on Joint Returns: Income Tax Items by Age Group

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Age group	Adjusted gross income		Salaries and wages		Self-employment earnings		FICA taxes		Self-employment tax		Total tax liability	
	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total.....	39,717,021	994,162,892	36,774,995	886,639,124	5,414,934	83,122,757	32,455,675	43,563,499	5,306,862	5,590,261	37,553,989	155,838,667
Under 15.....	5,701	12,601	5,701	24,946	—	—	2,851	1,100	—	—	2,851	29
15 under 20.....	166,316	1,421,006	166,316	1,431,495	4,913	18,791	157,367	88,279	4,913	1,754	137,789	97,001
20 under 25.....	2,230,982	27,001,660	2,183,086	26,831,914	135,320	944,731	2,070,270	1,653,397	134,798	84,018	1,977,747	2,596,490
25 under 30.....	5,130,321	88,958,840	4,984,951	88,515,414	434,082	3,830,186	4,555,003	5,200,624	428,486	329,020	4,831,628	9,911,741
30 under 35.....	5,694,954	122,984,264	5,409,599	119,357,248	620,375	9,221,836	4,869,335	6,502,221	609,822	672,008	5,378,497	15,161,595
35 under 40.....	5,575,536	145,235,825	5,249,214	140,863,747	742,274	11,160,769	4,627,703	6,919,437	724,245	748,186	5,316,218	19,956,404
40 under 45.....	4,508,938	129,619,964	4,194,136	123,020,429	610,881	11,699,496	3,763,842	5,849,491	597,082	755,350	4,309,674	19,898,951
45 under 50.....	3,924,910	114,947,496	3,642,710	10,720,669	526,812	10,144,669	3,190,728	4,917,775	513,202	662,005	3,763,593	19,092,089
50 under 55.....	3,502,569	106,029,523	3,213,781	95,271,320	510,151	9,137,757	2,805,726	4,265,220	495,601	581,852	3,365,856	18,941,526
55 under 60.....	3,522,244	105,202,191	3,190,371	88,901,520	542,415	8,634,239	2,783,971	4,139,831	532,307	564,902	3,429,069	19,500,720
60 under 65.....	3,431,609	95,432,998	2,936,572	72,185,522	740,751	11,717,958	2,420,178	3,098,721	728,764	773,252	3,259,641	18,382,126
65 under 70.....	1,236,184	32,787,658	1,020,181	16,217,452	297,328	3,659,500	809,605	676,767	290,161	229,840	1,096,490	6,669,408
70 under 75.....	522,287	1,457,213	394,150	4,543,950	156,546	1,711,426	290,134	182,708	155,551	113,516	442,899	3,224,639
75 under 80.....	191,143	6,722,187	132,436	1,516,816	66,118	820,420	90,074	54,588	65,496	51,440	177,420	1,585,339
80 under 85.....	43,921	2,088,065	26,677	364,217	19,823	303,967	15,627	10,844	19,786	16,680	38,190	535,844
85 under 95.....	19,767	1,031,876	15,576	281,951	7,139	115,167	3,243	2,451	6,642	6,420	16,888	275,707
95 and over.....	9,539	114,525	9,538	109,603	6	1,845	18	43	6	17	9,539	9,058

Note: Detail may not add to totals because of rounding.

Table 8—Secondary Taxpayers With Earned Income on Joint Returns: Income and Tax Items by Age

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Age group	Adjusted gross income		Salaries and wages		Self-employment earnings		FICA taxes		Self-employment tax		Total tax liability	
	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total.....	26,662,438	295,455,216	25,603,729	268,547,828	1,689,729	10,041,790	22,430,978	14,749,973	1,681,715	834,437	25,456,676	39,523,178
Under 15.....	7,877	52,325	7,877	53,527	—	—	4,831	1,194	—	—	7,877	7,072
15 under 20.....	315,360	1,050,067	315,360	1,110,968	—	—	299,677	65,542	—	—	281,806	95,807
20 under 25.....	2,614,181	18,134,971	2,594,175	18,611,313	57,440	246,933	2,335,825	1,066,922	57,440	23,022	2,463,569	1,998,090
25 under 30.....	4,053,478	39,655,923	3,964,746	40,185,394	176,141	849,468	3,511,520	2,265,426	176,138	77,474	3,901,285	4,832,403
30 under 35.....	4,005,305	51,252,226	3,859,535	42,809,581	237,831	1,335,850	3,384,187	2,322,872	235,995	113,721	3,839,219	5,680,718
35 under 40.....	3,820,172	41,701,845	3,662,192	41,850,229	249,253	1,506,832	3,191,826	2,283,830	248,488	127,789	3,669,267	5,544,678
40 under 45.....	3,173,619	34,865,661	3,033,225	34,419,130	227,529	1,384,290	2,628,696	1,866,352	226,288	109,226	3,060,859	4,964,139
45 under 50.....	2,529,763	29,195,890	2,415,872	27,924,184	186,884	1,212,266	2,127,883	1,545,682	184,873	98,946	2,427,813	4,328,677
50 under 55.....	2,550,746	30,189,344	2,421,869	27,450,664	209,461	1,262,826	2,062,524	1,460,748	208,317	103,935	2,427,732	4,698,522
55 under 60.....	1,931,892	25,796,262	1,816,791	20,501,972	155,844	1,068,742	1,614,014	1,160,685	155,598	90,961	1,851,694	3,890,030
60 under 65.....	1,112,864	15,767,260	1,020,937	10,315,080	117,007	724,111	901,910	556,553	116,773	59,134	1,045,464	2,300,959
65 under 70.....	391,375	5,481,213	357,145	2,466,795	45,384	265,735	293,181	123,058	45,343	19,425	344,090	803,730
70 under 75.....	99,454	1,512,964	87,105	581,233	16,816	97,880	59,928	26,264	16,346	5,241	93,370	245,093
75 under 80.....	37,822	488,453	28,963	135,868	9,536	50,100	12,538	4,403	9,515	4,296	26,957	79,968
80 under 85.....	7,043	97,536	6,847	33,974	204	28,524	2,263	392	202	595	7,043	19,855
85 under 95.....	6,085	129,320	5,861	15,676	226	5,399	175	50	226	406	3,229	21,161
95 and over.....	5,402	83,957	5,229	82,240	173	2,834	—	—	173	265	5,402	12,286

Note: Detail may not add to totals because of rounding.

Table 9—Taxpayers With Earned Income Reported on Non-Joint Returns: Income and Tax Items by Age Group

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Age group	Adjusted gross income		Salaries and wages		Self-employment earnings		FICA taxes		Self-employment tax		Total tax liability	
	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total.....	42,980,032	509,215,169	41,730,042	475,053,818	2,012,753	17,793,776	37,966,005	26,042,281	1,992,577	1,371,561	33,705,174	65,162,606
Under 15.....	115,479	598,205	98,854	532,944	16,625	23,812	67,423	23,391	—	—	64,150	60,568
15 under 20.....	6,030,002	20,930,096	5,999,587	19,485,585	74,730	241,850	5,684,590	1,177,724	91,355	24,150	2,553,225	962,946
20 under 25.....	10,851,619	87,394,736	10,746,170	85,233,750	236,825	1,186,115	10,159,500	5,129,075	236,825	108,475	8,317,115	8,474,820
25 under 30.....	6,848,415	86,853,321	6,718,223	86,299,902	265,946	1,823,179	6,148,329	4,966,691	262,073	161,385	5,825,031	10,820,730
30 under 35.....	4,550,094	68,951,012	4,389,384	67,564,424	273,442	2,599,163	3,978,433	3,685,754	273,069	215,798	3,965,645	9,061,968
35 under 40.....	3,319,896	56,647,559	3,210,659	55,079,455	197,157	2,234,411	2,902,381	2,879,670	193,510	158,526	2,938,767	7,582,248
40 under 45.....	3,713,474	58,764,195	3,518,933	55,926,824	288,085	3,324,720	2,816,822	2,677,550	280,487	244,716	3,199,886	8,108,343
45 under 50.....	1,766,586	32,222,955	1,676,997	30,166,938	134,609	1,378,985	1,521,635	1,582,140	133,236	99,903	1,632,532	4,691,601
50 under 55.....	1,652,321	29,005,122	1,573,656	25,968,155	123,267	1,329,339	1,370,273	1,326,628	122,955	99,248	1,463,201	4,361,644
55 under 60.....	1,517,689	26,782,714	1,434,816	22,729,902	108,014	1,146,464	1,257,595	1,180,089	107,277	83,773	1,419,505	4,260,508
60 under 65.....	1,370,179	21,830,958	1,296,844	17,141,683	93,226	873,168	1,163,787	949,872	91,387	60,059	1,288,063	3,411,162
65 under 70.....	702,396	10,121,495	616,345	5,701,416	97,368	759,624	536,536	304,915	97,216	61,560	583,332	1,631,251
70 under 75.....	332,043	4,984,284	280,195	2,024,715	57,852	529,586	235,135	97,410	57,694	34,925	288,813	873,539
75 under 80.....	119,542	2,069,790	97,994	562,985	23,824	183,892	79,180	29,500	23,824	10,617	97,747	406,102
80 under 85.....	41,584	1,157,330	31,709	287,401	11,054	100,476	23,800	15,406	10,942	5,322	30,851	287,878
85 under 95.....	31,468	715,159	22,433	198,742	10,727	57,449	14,747	11,271	10,725	3,097	22,916	145,351
95 and over.....	17,245	186,238	17,243	148,999	*	1,540	5,839	5,196	*	7	14,395	21,946

* Data combined to avoid disclosure of information for specific taxpayers.

Note: Detail may not add to totals because of rounding.

Selected Statistical Series, 1970–1988

77

Table	Page
1 - Individual Income Tax Returns: Selected Income and Tax Items, for Selected Years, 1970–1986	79
2 - Individual Income and Tax Data, by State, Tax Year 1986	80
3 - Number of Individual Returns, Income, Tax and Average Tax, by Size of Adjusted Gross Income, Tax Years 1982–1986	83
4 - Reconciliation of Adjusted Gross Income (AGI) and Personal Income Used in the National Income and Product Accounts (NIPA), Selected Tax Years, 1970–1985	85
5 - Personal Income and Total Adjusted Gross Income, Based on Individual Income Tax Returns, Tax Years 1947–1986	85
6 - Total Adjusted Gross Income and Adjusted Gross Income Reported on Individual Income Tax Returns, Tax Years 1947–1986	86
7 - Standard and Itemized Deductions, Taxable and Nontaxable Individual Income Tax Returns, Tax Years 1944–1986	87
8 - Personal Income, Taxable Income and Individual Income Tax, Tax Years 1947–1986	88
9 - Number of Individual Income Tax Returns, by Type of Tax Settlement, Tax Years 1944–1986	89
10 - Nonfarm Sole Proprietorship Returns: Selected Income and Deduction Items, for Selected Tax Years, 1970–1986	90
11 - Partnership Returns: Selected Income Statement and Balance Sheet Items, for Selected Tax Years, 1970–1985	90
12 - Number of Business Income Tax Returns, by Size of Receipts and Assets, for Selected Income Years, 1970–1985	91
13 - Corporation Income Tax Returns: Balance Sheet, Income Statement, and Tax Items, for Selected Income Years, 1970–1985	92
14 - Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items, by Industrial Division, for Selected Income Years, 1970–1985	94
15 - Corporation Profits Before Taxes and Income Subject to Tax, Income Years, 1958–1985	96

Selected Statistical Series, 1970–1988 (Continued)

Table	Page
16 - Crude Oil Windfall Profit Tax Before and After Adjustments, by Quarter, 1980–1986	97
17 - Gross Internal Revenue Collections: Amount Collected, by Quarter and Fiscal Year, 1983–1987	98
18 - Internal Revenue Refunds: Amount Refunded, by Quarter and Fiscal Year, 1983–1987	98
19 - Classes of Excise Taxes, by Selected Fiscal Year, 1970–1987	99
20 - Selected Returns and Forms Filed During Selected Calendar Years, 1970–1988	100
21 - Taxpayers Receiving Assistance, Paid and Unpaid, by Tax Year of Return, 1983–1986	100
Notes to Selected Statistical Series Tables	101

NOTICE

The data on the following pages are the latest and most accurate available at time of publication. However, they are subject to continuous revision as more information becomes available. Data labeled as preliminary should be used with caution.

Table 1.—Individual Income Tax Returns: Selected Income and Tax Items for Selected Tax Years, 1970-1986

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	1970	1975	1980	1984	1985	p1986
	(1)	(2)	(3)	(4)	(5)	(6)
All returns	74,279,831	82,229,332	93,902,469	99,438,708	101,660,287	103,299,601
Form 1040 returns	74,279,831	54,527,726	57,122,592	64,533,502	67,006,425	68,885,007
Form 1040A returns	N/A	27,701,606	36,779,877	18,431,641	18,124,702	17,705,607
Form 1040EZ returns	N/A	N/A	N/A	16,473,565	16,529,160	16,708,987
Adjusted gross income (AGI)	631,692,540	947,784,873	1,613,731,497¹	2,139,904,356¹	2,305,951,483¹	2,522,516,770¹
Salaries and wages:						
Number of returns	66,965,659	73,520,046	83,802,109	85,925,617	87,198,001	88,587,358
Amount	531,883,892	795,399,462	1,349,842,802	1,807,137,587	1,928,200,978	2,046,135,285
Interest received:						
Number of returns	32,630,355	40,378,240	49,019,575	62,059,703	64,526,434	65,489,838
Amount	22,021,267	43,433,554	102,009,444	176,369,305	182,109,194	168,202,347
Dividends after exclusion:						
Number of returns	7,729,939	8,853,491	10,738,982	14,259,407	15,527,579	16,751,892
Amount	15,806,924	21,892,126	38,761,253	48,640,734	55,046,351	63,073,757
Business or profession net income less loss:						
Number of returns	6,159,985	7,242,542	8,881,119	11,237,218	11,900,341	12,431,364
Amount	30,554,201	39,421,478	55,129,154	70,766,610	78,772,577	90,367,239
Net capital gain less loss:						
Number of returns	7,962,663	7,574,823	9,970,921	12,558,688	11,125,595	12,936,506
Amount	9,006,683	14,071,893	30,029,074	54,519,368	67,694,001	135,005,278
Pensions and annuities in AGI:						
Number of returns	3,249,558	5,088,937	7,373,704	11,551,051	13,133,295	14,849,501
Amount	7,878,808	20,886,871	43,339,736	80,447,934	95,096,003	108,502,091
Rents and royalties net income less loss:						
Number of returns	6,557,498	7,143,812	8,208,132	9,100,525	9,970,604	9,620,244
Amount	3,232,817	5,202,078	4,105,381	-9,482,800	-12,963,727	-13,023,962
Partnerships and S Corporations:						
Number of returns	n.a.	n.a.	n.a.	5,203,592	5,487,671	5,641,537
Amount	12,637,912	12,811,091	10,099,346	-2,268,204	-2,526,591	5,453,558
Farm net income less loss:						
Number of returns	3,026,530	2,755,041	2,608,430	2,694,420	2,620,861	2,532,815
Amount	2,788,713	3,563,325	-1,792,466	-13,095,506	-12,005,483	-6,907,476
Total statutory adjustments:						
Number of returns	6,370,552	9,024,255	13,148,919	37,025,796	37,763,418	38,231,054
Amount	7,665,251	15,101,999	28,614,061	89,745,075	95,082,299	99,246,133
Individual Retirement Arrangements:						
Number of returns	N/A	1,211,794	2,564,421	15,232,856	16,205,846	15,714,041
Amount	N/A	1,436,443	3,430,894	35,374,424	38,211,574	38,255,838
Self-employed retirement (Keogh):						
Number of returns	591,655	595,892	568,936	648,958	675,822	772,476
Amount	847,692	1,603,788	2,007,666	4,072,409	5,181,993	6,178,104
Married couple who both work:						
Number of returns	N/A	N/A	N/A	24,126,180	24,835,278	25,858,054
Amount	N/A	N/A	N/A	22,407,621	24,614,983	26,915,348
Exemptions:						
Number of exemptions	204,126,402	212,202,596	227,925,098	240,886,327	244,180,202	246,596,408
Number, age 65 or over	8,904,331	9,937,208	11,847,168	15,890,548	16,748,810	17,580,998
Total deductions:						
Number of returns	73,862,448	81,585,541	88,491,251	94,855,579	96,848,626	98,525,016
Amount	120,549,755	233,181,778	346,000,155	499,585,197 ²	554,733,523 ²	611,416,045 ²
Itemized deductions:						
Number of returns	35,430,047	26,074,061	28,950,282	38,203,092	39,848,184	40,838,502
Total ³	88,178,487	122,260,601	218,028,139	358,876,015	405,023,525	446,542,466
Medical and dental expense	10,585,749	11,422,312	14,972,082	21,450,276	22,926,214	25,062,523
Taxes paid	32,014,673	44,141,289	69,404,275	115,245,288	128,084,618	144,704,846
Interest paid	23,929,477	38,885,282	91,187,006	158,176,338	180,094,578	194,451,076
Contributions	12,892,732	15,393,331	25,809,608	42,119,812	47,962,848	54,454,472
Taxable income:						
Number of returns	59,593,598	65,852,602	88,104,696	94,178,183	96,124,046	97,742,435
Amount	401,154,285	595,492,866	1,279,985,360	1,701,365,731	1,820,740,833	1,976,811,955
Income tax before credits:						
Number of returns	59,596,755	65,854,734	76,135,819	84,440,481	85,994,216	86,975,883
Amount	84,156,695 ⁴	132,452,044	256,294,315	306,686,024	332,165,333	378,422,425
Total tax credits⁵	369,610	8,069,846	7,215,839	9,263,308	10,248,044	7,654,631
Child care credit	N/A	N/A	956,439	2,648,834	3,127,702	3,493,653
Credit for the elderly and disabled	167,656	128,968	134,993	107,002	108,642	174,003
Residential energy credit	N/A	N/A	562,141	645,093	811,675	N/A
Foreign tax credit	169,623	381,985	1,341,675	738,014	782,561	1,342,687
Investment credit	30,554	1,593,150	3,288,415	(⁶)	(⁶)	(⁶)
General business credit	N/A	N/A	N/A	4,183,101 ⁶	4,791,132 ⁶	1,035,205 ⁶
Income tax after credits	83,787,323	124,382,197	249,078,475	297,422,715	321,917,289	370,932,395
Total income tax:⁷						
Number of returns	59,317,371	61,490,737	73,906,244	81,639,509	82,846,420	84,324,468
Amount	83,909,311	124,526,297	250,341,440	301,923,057	325,710,254	377,050,937

See notes following Table 21.

Table 2—Individual Income and Tax by State, Tax Year 1986

[Money amounts are in thousands of dollars, except as indicated]

State	Number of returns	Number of exemptions ¹	Adjusted gross income (AGI)	Salaries and wages		Dividends after exclusion	
				Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
United States, total²	103,633,570	246,191,989	2,472,559,803	87,807,445	2,012,988,154	16,582,775	58,806,712
Alabama.....	1,537,065	3,847,654	32,055,361	1,346,009	26,967,941	157,958	465,657
Alaska.....	230,883	534,843	6,496,459	201,311	5,855,266	58,557	76,054
Arizona.....	1,394,726	3,419,376	32,189,015	1,160,153	25,675,242	229,414	966,657
Arkansas.....	882,648	2,253,714	16,573,801	736,162	13,506,122	80,403	254,923
California.....	12,025,076	29,059,066	311,810,079	10,179,884	252,813,311	1,817,039	7,041,542
Colorado.....	1,431,107	3,307,373	34,123,277	1,221,838	28,642,676	255,654	707,693
Connecticut.....	1,592,585	3,470,065	47,914,355	1,362,992	38,330,784	349,358	1,386,237
Delaware.....	291,371	667,690	7,284,979	251,466	5,852,093	57,489	247,326
District of Columbia.....	325,256	660,561	8,277,611	279,821	6,231,360	47,337	278,076
Florida.....	5,300,996	12,412,785	123,771,406	4,212,686	86,085,972	1,002,261	5,447,144
Georgia.....	2,547,529	6,029,447	58,644,369	2,280,245	50,354,128	285,223	904,099
Hawaii.....	485,014	1,096,934	10,959,168	417,709	8,871,259	78,527	217,571
Idaho.....	365,805	981,909	6,976,504	300,963	5,766,423	50,961	136,644
Illinois.....	4,956,836	11,829,956	123,481,338	4,189,258	100,849,865	904,886	3,100,433
Indiana.....	2,308,198	5,590,219	51,454,068	1,961,212	42,754,720	315,385	825,160
Iowa.....	1,151,875	2,869,924	23,098,819	902,165	17,969,664	196,679	47,834
Kansas.....	1,029,405	2,535,614	23,141,841	848,072	18,674,353	169,596	459,759
Kentucky.....	1,382,471	3,383,047	27,961,310	1,166,565	22,904,413	152,702	523,210
Louisiana.....	1,606,074	4,147,948	32,810,721	1,382,750	27,518,645	173,817	558,088
Maine.....	512,336	1,189,180	10,633,419	438,252	8,327,608	74,779	279,172
Maryland.....	2,126,981	4,782,964	57,492,048	1,857,677	47,453,346	355,106	1,159,130
Massachusetts.....	2,801,179	6,022,344	74,561,622	2,408,927	59,830,978	508,025	1,901,212
Michigan.....	3,887,234	9,069,063	97,548,841	3,320,352	82,183,789	771,279	2,023,279
Minnesota.....	1,824,501	4,324,929	43,701,683	1,530,659	35,841,273	347,167	882,821
Mississippi.....	917,726	2,419,071	16,395,149	807,397	13,942,359	77,061	209,433
Missouri.....	2,125,569	5,079,879	48,181,438	1,775,934	38,874,763	344,268	1,137,566
Montana.....	331,153	820,597	5,745,837	259,399	4,607,327	58,740	151,340
Nebraska.....	668,844	1,653,023	13,552,160	539,548	10,727,060	109,686	267,720
Nevada.....	467,586	1,047,854	11,211,642	404,794	8,888,757	58,121	237,640
New Hampshire.....	504,826	1,129,373	13,079,734	441,042	10,413,220	83,920	306,350
New Jersey.....	3,809,056	8,733,854	108,177,409	3,289,813	88,361,136	796,579	2,590,356
New Mexico.....	594,610	1,507,536	11,588,975	507,897	9,647,864	79,086	237,964
New York.....	7,659,120	17,714,051	209,807,910	6,482,306	164,379,474	1,465,839	6,194,835
North Carolina.....	2,710,326	6,297,773	57,576,908	2,407,469	47,803,806	328,362	1,316,960
North Dakota.....	273,194	686,712	5,176,279	211,485	3,883,579	38,106	71,681
Ohio.....	4,579,516	10,787,793	105,307,256	3,891,705	87,381,936	764,663	2,512,694
Oklahoma.....	1,243,715	3,120,105	26,126,269	1,021,124	21,432,814	143,848	442,444
Oregon.....	1,139,392	2,734,830	24,358,381	926,394	19,196,582	184,956	624,276
Pennsylvania.....	5,142,034	11,883,176	116,983,029	4,265,919	93,268,723	931,099	3,176,718
Rhode Island.....	447,240	986,093	10,444,079	386,773	8,272,943	70,880	247,082
South Carolina.....	1,346,996	3,239,597	27,774,612	1,203,904	23,231,645	141,363	465,851
South Dakota.....	284,907	719,113	4,811,621	220,880	3,719,515	44,573	97,055
Tennessee.....	1,967,923	4,700,375	41,071,250	1,721,866	34,740,998	200,896	704,314
Texas.....	6,641,788	16,693,551	152,811,524	5,734,433	129,943,391	789,428	2,973,502
Utah.....	598,429	1,686,920	13,264,172	515,721	11,171,640	77,118	221,472
Vermont.....	237,156	542,870	5,072,812	201,814	3,994,882	44,123	167,792
Virginia.....	2,583,679	5,877,163	65,737,990	2,268,296	54,426,286	415,159	1,395,255
Washington.....	1,947,149	4,566,312	46,153,240	1,625,903	37,346,541	330,263	966,823
West Virginia.....	663,519	1,657,788	13,552,665	554,976	11,058,758	84,660	254,940
Wisconsin.....	2,034,831	4,817,360	44,928,005	1,719,146	37,284,719	350,245	985,668
Wyoming.....	195,820	494,959	4,272,634	166,732	3,626,691	31,367	99,754
Other areas ³	520,315	1,107,656	6,434,729	297,647	12,099,614	98,764	431,506

Table 2. (Continued)—Individual Income and Tax by State, Tax Year 1986

[Money amounts are in thousands of dollars, except as indicated]

State	Interest		Unemployment compensation in AGI		Itemized deductions		Average amount (whole dollars)
	Number of returns	Amount	Number of returns	Amount	Number of returns	Total deductions	
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
United States, total²	65,158,038	167,137,870	4,971,846	7,011,890	40,639,456	448,694,962	11,041
Alabama.....	781,959	1,643,153	83,920	73,874	547,379	4,997,741	9,130
Alaska.....	147,006	264,928	28,891	66,605	89,844	1,171,272	13,037
Arizona.....	849,024	2,605,656	45,332	49,207	635,917	7,051,260	11,088
Arkansas.....	461,444	1,294,034	43,142	48,012	263,788	2,434,579	9,229
California.....	7,412,186	21,639,047	603,323	822,812	5,258,264	74,070,718	14,087
Colorado.....	960,314	2,228,536	62,477	97,874	671,251	7,589,251	11,306
Connecticut.....	1,184,309	2,854,343	79,174	99,487	638,673	7,930,874	12,418
Delaware.....	180,200	385,870	14,536	26,033	116,821	1,195,983	10,238
District of Columbia.....	163,093	420,899	6,544	11,350	130,803	1,695,558	12,963
Florida.....	3,153,630	12,384,370	110,530	146,765	1,822,042	20,660,926	11,339
Georgia.....	1,272,215	2,871,629	103,437	89,746	954,319	10,589,127	11,096
Hawaii.....	358,642	690,703	17,107	24,777	200,457	2,234,375	11,146
Idaho.....	229,816	596,408	26,107	36,613	145,765	1,376,295	9,442
Illinois.....	3,334,214	8,838,159	238,605	396,122	1,904,175	19,404,541	10,191
Indiana.....	1,448,373	3,253,387	105,101	108,466	795,410	6,988,793	8,786
Iowa.....	845,001	2,414,250	53,462	70,892	437,035	3,761,853	8,608
Kansas.....	687,804	1,960,446	48,211	68,410	426,914	4,124,040	9,660
Kentucky.....	759,490	1,826,338	76,115	79,154	481,724	4,165,544	8,647
Louisiana.....	867,320	2,216,838	99,640	192,189	522,627	5,200,762	9,951
Maine.....	333,096	637,784	22,863	24,497	167,105	1,506,181	9,013
Maryland.....	1,384,767	2,966,091	71,815	102,483	1,028,374	12,207,897	11,871
Massachusetts.....	2,054,162	4,467,205	142,803	231,949	1,147,145	12,666,575	11,042
Michigan.....	2,614,822	5,340,793	312,491	417,860	1,776,484	16,938,129	9,535
Minnesota.....	1,328,622	3,015,101	97,256	182,353	866,237	9,178,651	10,596
Mississippi.....	399,304	979,986	37,493	39,370	261,814	2,423,805	9,258
Missouri.....	1,343,363	3,646,277	98,110	100,191	774,971	7,242,414	9,345
Montana.....	224,408	621,114	17,146	22,746	116,154	1,114,924	9,599
Nebraska.....	465,973	1,278,785	22,348	23,294	226,996	2,154,589	9,492
Nevada.....	256,011	805,903	24,613	31,864	168,013	1,983,480	11,806
New Hampshire.....	356,885	751,150	18,463	19,564	174,056	1,798,123	10,331
New Jersey.....	2,611,157	6,231,320	171,878	295,540	1,573,856	18,669,576	11,862
New Mexico.....	326,553	816,866	19,664	26,276	200,283	1,942,825	9,700
New York.....	5,298,715	14,244,503	317,747	494,199	3,674,359	45,939,826	12,503
North Carolina.....	1,458,578	2,925,537	119,786	99,445	1,011,017	9,786,413	9,680
North Dakota.....	194,710	541,652	13,199	21,711	76,352	666,325	8,727
Ohio.....	2,970,830	6,488,978	246,047	365,617	1,676,441	16,240,764	9,688
Oklahoma.....	712,540	2,059,291	56,809	82,730	491,260	5,193,924	10,573
Oregon.....	752,475	1,952,294	79,976	112,446	495,003	4,849,558	9,797
Pennsylvania.....	3,537,843	7,736,439	346,716	558,049	1,813,083	16,865,989	9,302
Rhode Island.....	299,269	658,864	30,168	39,212	164,228	1,638,675	9,978
South Carolina.....	674,431	1,354,838	51,275	42,918	512,208	4,997,353	9,756
South Dakota.....	189,333	533,684	6,693	6,478	70,700	592,561	8,381
Tennessee.....	1,016,828	2,335,788	82,190	73,766	550,236	5,372,242	9,764
Texas.....	3,558,488	11,238,670	257,940	459,753	2,124,256	24,661,542	11,609
Utah.....	391,434	700,744	29,475	45,261	286,443	3,139,368	10,960
Vermont.....	160,029	329,993	10,053	11,154	84,537	827,177	9,785
Virginia.....	1,551,683	3,417,854	80,527	76,355	1,076,357	12,204,453	11,339
Washington.....	1,304,446	3,330,132	124,117	189,085	754,259	7,698,174	10,206
West Virginia.....	399,594	835,300	45,046	69,799	180,111	1,539,876	8,550
Wisconsin.....	1,508,191	3,174,511	153,211	206,254	877,845	8,231,537	9,377
Wyoming.....	130,067	326,598	12,833	20,569	68,472	626,001	9,142
Other areas ³	253,391	1,004,831	5,441	10,714	127,593	1,152,543	9,033

Table 2 (Continued) —Individual Income and Tax by State, Tax Year 1986

(Money amounts are in thousands of dollars, except as indicated)

State	Tax liability			Earned income credit			
	Total tax		Average tax (whole dollars)	Number of returns	Amount	In excess of tax liability	
	Number of returns	Amount				Number of returns	Amount
	(15)	(16)	(17)	(18)	(19)	(20)	(21)
United States, total ²	87,249,754	380,561,579	4,362	6,428,594	2,081,288	4,798,776	1,539,383
Alabama.....	1,252,656	4,421,503	3,530	168,623	56,041	130,143	42,528
Alaska.....	200,388	1,088,004	5,429	8,458	2,476	5,676	1,595
Arizona.....	1,176,984	4,599,719	3,908	87,332	28,321	66,395	21,586
Arkansas.....	714,523	2,205,280	3,086	95,831	31,553	70,457	22,867
California.....	10,107,230	47,689,905	4,718	833,769	276,762	671,225	221,766
Colorado.....	1,225,989	5,073,718	4,138	68,832	22,047	49,119	15,598
Connecticut.....	1,406,387	8,735,570	6,211	36,974	11,452	25,895	8,070
Delaware.....	251,192	1,111,557	4,425	15,741	5,006	11,553	3,682
District of Columbia.....	275,330	1,398,386	5,079	25,311	8,244	20,155	6,569
Florida.....	4,442,667	20,901,193	4,705	360,801	117,867	264,730	85,540
Georgia.....	2,131,940	8,596,520	4,032	220,789	72,460	167,703	54,422
Hawaii.....	413,710	1,517,040	3,667	17,780	5,332	11,673	3,496
Idaho.....	301,839	900,570	2,984	27,118	8,725	18,820	5,911
Illinois.....	4,168,172	20,193,692	4,845	265,298	85,162	204,111	65,285
Indiana.....	1,919,661	7,595,220	3,957	126,067	40,479	91,756	29,210
Iowa.....	959,964	3,229,279	3,364	56,065	17,513	36,852	11,134
Kansas.....	873,306	3,492,057	3,999	49,752	15,654	34,145	10,601
Kentucky.....	1,136,929	3,932,907	3,459	119,612	38,929	83,863	26,705
Louisiana.....	1,270,955	4,776,941	3,759	202,52	65,617	159,353	51,091
Maine.....	433,975	1,488,984	3,431	28,167	8,938	19,059	-5,920
Maryland.....	1,850,643	8,709,935	4,706	94,841	30,106	69,754	22,061
Massachusetts.....	2,470,823	12,382,608	5,012	77,830	24,581	54,636	17,226
Michigan.....	3,284,233	14,920,589	4,543	159,952	50,568	117,464	36,731
Minnesota.....	1,565,900	6,308,508	4,029	69,033	21,480	45,325	13,477
Mississippi.....	706,696	2,100,578	2,972	155,269	51,735	125,909	41,092
Missouri.....	1,788,018	7,378,231	4,126	130,340	41,865	92,812	29,348
Montana.....	263,888	785,293	2,976	24,339	7,716	16,775	5,102
Nebraska.....	561,032	1,954,594	3,484	34,580	10,815	23,103	6,946
Nevada.....	399,866	1,855,190	4,640	23,421	7,459	17,174	5,461
New Hampshire.....	442,442	2,190,189	4,950	14,355	4,439	9,361	2,884
New Jersey.....	3,361,488	18,336,028	5,455	153,628	49,002	113,280	36,508
New Mexico.....	472,113	1,560,823	3,306	62,505	19,841	48,913	15,343
New York.....	6,633,319	34,044,488	5,132	439,923	142,984	329,548	106,212
North Carolina.....	2,264,416	7,932,772	3,503	212,369	67,953	151,290	48,212
North Dakota.....	228,549	744,188	3,256	15,581	4,818	9,695	2,861
Ohio.....	3,866,646	15,332,075	3,965	222,212	70,326	161,577	50,623
Oklahoma.....	1,019,651	3,738,325	3,666	99,787	32,862	71,893	23,057
Oregon.....	951,485	3,325,425	3,495	63,956	20,574	46,237	14,614
Pennsylvania.....	4,339,329	17,701,095	4,079	237,378	74,847	168,091	52,677
Rhode Island.....	385,784	1,579,594	4,095	19,048	6,060	13,972	4,424
South Carolina.....	1,108,678	3,650,940	3,293	124,819	40,994	94,261	30,688
South Dakota.....	228,808	678,663	2,966	20,351	6,360	13,210	3,872
Tennessee.....	1,619,886	6,072,049	3,748	178,018	58,182	132,559	42,487
Texas.....	5,461,504	25,078,319	4,592	578,350	189,736	443,861	144,508
Utah.....	494,064	1,632,674	3,305	31,379	9,910	22,638	7,062
Vermont.....	204,489	728,142	3,561	11,193	3,463	7,157	2,156
Virginia.....	2,228,026	9,851,527	4,422	126,421	40,421	89,803	28,708
Washington.....	1,659,563	7,012,270	4,225	85,475	27,040	62,145	19,377
West Virginia.....	549,907	1,845,691	3,356	53,188	16,886	38,129	12,086
Wisconsin.....	1,712,228	6,168,435	3,603	82,146	25,710	56,545	17,179
Wyoming.....	162,741	658,837	4,048	11,079	3,515	7,823	2,438
Other areas ³	299,742	1,355,459	4,522	1,456	462	1,153	387

See notes following Table 21.

Table 3.—Number of Individual Returns, Income, Tax, and Average Tax, By Size of Income, Tax Years 1983-1986

(All figures are estimates based on samples—money amounts are in thousands of dollars, except as indicated)

Size of adjusted gross income	Number of returns for —		Adjusted gross income (AGI)		Taxable income	
	1983	1984	1983	1984 ¹	1983	1984
	(1)	(2)	(3)	(4)	(5)	(6)
Total	96,321,310	99,438,708	1,942,589,865	2,139,904,356	1,544,872,497	1,701,365,731
Less than \$1,000 ^{2,3}	3,415,113	3,329,148	-25,592,802	-31,984,443	75,549	63,799
\$1,000 under \$3,000	7,253,408	6,883,760	14,428,816	13,732,880	6,757,833	6,504,129
\$3,000 under \$5,000	7,167,924	7,030,537	28,679,137	28,151,199	17,374,119	17,251,761
\$5,000 under \$7,000	6,734,360	6,584,434	40,321,353	39,617,706	26,472,290	26,095,663
\$7,000 under \$9,000	6,879,931	6,792,931	55,039,361	54,388,545	39,153,168	38,888,493
\$9,000 under \$11,000	6,205,165	6,051,873	61,927,394	60,390,249	46,314,016	45,303,739
\$11,000 under \$13,000	5,724,798	5,877,979	68,522,507	70,439,379	52,529,347	54,708,664
\$13,000 under \$15,000	5,161,674	5,202,547	72,217,107	72,660,372	57,062,111	57,397,788
\$15,000 under \$17,000	4,593,795	4,893,833	73,350,227	78,195,614	58,956,588	62,489,602
\$17,000 under \$19,000	4,291,218	4,561,541	77,093,374	82,012,673	62,209,794	66,307,248
\$19,000 under \$22,000	5,617,176	5,645,759	115,071,603	115,466,828	93,320,322	93,889,175
\$22,000 under \$25,000	5,115,957	5,198,716	120,238,524	122,123,861	97,650,110	93,375,159
\$25,000 under \$30,000	7,357,487	7,635,404	201,763,983	209,274,643	163,111,031	168,006,165
\$30,000 under \$35,000	6,011,290	6,020,636	194,666,035	195,263,778	156,601,086	155,819,230
\$35,000 under \$40,000	4,409,645	5,054,470	164,664,066	188,944,011	131,804,272	149,423,027
\$40,000 under \$50,000	5,147,782	5,963,041	228,225,122	264,922,227	181,289,066	210,324,094
\$50,000 under \$75,000	3,591,188	4,657,702	211,838,450	275,046,849	166,095,719	214,921,141
\$75,000 under \$100,000	822,840	1,049,444	70,011,841	89,289,787	54,345,021	69,194,901
\$100,000 under \$150,000	469,391	581,498	56,206,333	69,273,546	43,403,109	53,604,014
\$150,000 under \$200,000	152,560	179,695	26,170,484	30,767,972	20,312,767	23,865,523
\$200,000 under \$300,000	108,379	132,306	26,016,239	31,729,787	20,642,936	24,405,339
\$300,000 under \$500,000	53,960	67,405	20,144,746	25,780,158	15,959,347	19,789,383
\$500,000 under \$1,000,000	25,469	29,215	17,173,250	19,729,296	13,706,293	15,798,723
\$1,000,000 or more	10,800	14,834	24,358,715	34,687,437	19,726,601	27,938,970

Size of adjusted gross income	Total income tax ⁴		Percentage of returns showing no total income tax		Returns showing total income tax			
					Average tax (whole dollars)		Tax as percentage of AGI	
	1983	1984	1983	1984	1983	1984	1983	1984
	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Total	274,181,323	301,923,057	19.0	17.9	3,514	3,698	14.5	14.4
Less than \$1,000 ^{2,3}	127,789	419,790	99.7	99.2	13,249 ⁴	16,783 ⁴	—	—
\$1,000 under \$3,000	51,414	44,652	93.4	93.8	108	104	5.7	5.4
\$3,000 under \$5,000	409,533	430,167	42.0	40.8	99	103	2.4	2.5
\$5,000 under \$7,000	1,310,055	1,233,034	33.7	33.7	293	282	4.9	4.7
\$7,000 under \$9,000	2,603,057	2,483,282	21.2	21.3	480	465	6.0	5.8
\$9,000 under \$11,000	3,888,167	3,617,920	8.3	8.2	684	651	6.8	6.5
\$11,000 under \$13,000	5,012,113	5,013,506	4.2	5.2	914	899	7.6	7.5
\$13,000 under \$15,000	6,066,527	5,831,903	2.7	3.6	1,208	1,163	8.6	8.3
\$15,000 under \$17,000	6,809,411	6,785,324	2.4	2.0	1,518	1,415	9.5	8.9
\$17,000 under \$19,000	7,664,811	7,775,189	1.6	1.8	1,816	1,736	10.1	9.7
\$19,000 under \$22,000	12,163,958	11,677,768	1.2	1.5	2,192	2,100	10.7	10.3
\$22,000 under \$25,000	13,595,791	13,237,769	1.3	1.0	2,692	2,573	11.5	11.0
\$25,000 under \$30,000	24,354,551	23,793,004	.8	1.2	3,338	3,152	12.2	11.5
\$30,000 under \$35,000	25,156,554	23,926,881	.6	.7	4,208	4,004	13.0	12.3
\$35,000 under \$40,000	22,673,889	24,678,348	.8	.5	5,182	4,907	13.9	13.1
\$40,000 under \$50,000	34,798,186	38,675,241	.4	.3	6,787	6,504	15.3	14.6
\$50,000 under \$75,000	38,352,897	47,355,174	.4	.4	10,725	10,211	18.2	17.3
\$75,000 under \$100,000	15,392,973	18,759,377	.3	.4	18,770	17,944	22.1	21.1
\$100,000 under \$150,000	14,351,743	17,117,874	.4	.2	30,690	29,502	25.6	24.8
\$150,000 under \$200,000	7,662,455	8,644,645	.3	.2	50,365	48,205	29.4	28.2
\$200,000 under \$300,000	8,488,945	10,013,524	.2	.2	78,513	75,844	32.7	31.6
\$300,000 under \$500,000	7,124,258	8,761,557	.2	.2	132,313	130,272	35.4	34.1
\$500,000 under \$1,000,000	6,463,482	7,526,585	.2	.2	254,228	258,255	37.7	38.2
\$1,000,000 or more	9,658,764	14,120,545	.3	.2	896,655	954,091	39.8	40.8

See notes following Table 21.

Table 3. (Continued)—Number of Individual Returns, Income, Tax, and Average Tax, By Size of Income, Tax Years 1983-1986

[All figures are estimates based on samples—money amounts are in thousands of dollars, except as indicated]

Size of adjusted gross income	Number of returns for —		Adjusted gross income (\$K)		Taxable income	
	1985	p1986	1985 ¹	p1986 ¹	1985	p1986
	(1)	(2)	(3)	(4)	(5)	(6)
Total	101,660,287	103,299,601	2,305,951,483	2,522,516,770	1,820,740,833	1,976,811,955
Less than \$1,000 ^{2,3}	3,292,007	2,988,314	-36,740,956	-31,691,676	6,886	3,157
\$1,000 under \$3,000	6,771,487	6,947,868	13,581,245	14,072,326	5,947,953	6,092,873
\$3,000 under \$5,000	6,665,481	6,904,868	26,769,868	27,833,806	16,049,013	16,318,741
\$5,000 under \$7,000	6,570,989	6,480,298	39,356,896	38,969,981	25,680,025	24,634,678
\$7,000 under \$9,000	6,664,279	6,202,654	53,477,888	49,604,378	37,544,431	33,766,924
\$9,000 under \$11,000	6,235,044	6,165,734	62,125,340	61,414,973	46,036,142	44,047,681
\$11,000 under \$13,000	5,582,921	5,548,379	66,863,381	66,513,394	51,016,092	49,611,859
\$13,000 under \$15,000	5,386,772	5,303,387	75,352,290	74,088,839	58,884,575	57,158,044
\$15,000 under \$17,000	4,895,393	4,771,498	76,225,269	76,278,777	61,708,177	59,726,583
\$17,000 under \$19,000	4,542,598	4,513,805	81,675,266	81,217,307	65,462,334	64,575,441
\$19,000 under \$22,000	6,089,064	6,098,876	124,506,145	125,031,917	100,462,536	99,384,345
\$22,000 under \$25,000	5,051,210	5,209,825	118,539,622	122,220,314	95,256,056	98,353,626
\$25,000 under \$30,000	7,457,947	7,546,056	204,399,150	207,521,896	164,077,078	165,342,856
\$30,000 under \$35,000	6,451,040	11,535,409	209,135,063	399,681,246	320,091,716	315,275,595
\$35,000 under \$40,000	5,184,622	7,515,514	193,807,899	334,720,916	233,646,097	261,481,959
\$40,000 under \$50,000	6,701,544	6,472,320	297,914,322	384,276,545	259,467,072	297,565,471
\$50,000 under \$75,000	1,263,409	1,543,398	107,424,625	131,616,441	82,293,087	100,413,647
\$75,000 under \$100,000	706,248	1,152,431	84,315,947	152,495,909	90,834,865	117,868,659
\$100,000 under \$150,000	203,108	306,148	34,884,492	87,234,337	52,919,889	68,410,763
\$150,000 under \$200,000	152,523	56,746	36,457,244	37,140,292	21,289,595	30,526,547
\$200,000 under \$300,000	85,565	35,875	32,529,032	82,274,749	32,087,247	66,252,503
\$300,000 under \$500,000	41,107		27,541,427			
\$500,000 under \$1,000,000	17,312		40,099,667			
\$1,000,000 or more						
Size of adjusted gross income	Total income tax ⁴		Percentage of returns showing no total income tax		Returns showing total income tax	
	1985	p1986	1985	p1986	Average tax (whole dollars)	Tax as percentage of AGI
	(7)	(8)	(9)	(10)	(11)	(12)
Total	325,710,254	377,050,937	18.5	18.4	3,931	4,471
Less than \$1,000 ^{2,3}	185,922	211,733	99.7	99.5	16,964	15,137
\$1,000 under \$3,000	41,698	59,322	94.4	94.0	111	142
\$3,000 under \$5,000	347,878	326,125	48.2	52.0	100	98
\$5,000 under \$7,000	1,193,043	1,041,027	33.9	35.1	275	248
\$7,000 under \$9,000	2,259,783	1,982,638	26.3	9.0	460	445
\$9,000 under \$11,000	3,480,778	3,221,722	11.8	13.3	633	603
\$11,000 under \$13,000	4,548,843	4,333,337	5.9	6.3	865	833
\$13,000 under \$15,000	5,789,495	5,466,711	3.9	3.9	1,119	1,073
\$15,000 under \$17,000	6,534,361	6,334,407	2.9	2.4	1,375	1,361
\$17,000 under \$19,000	7,482,062	7,303,995	2.3	1.6	1,686	1,645
\$19,000 under \$22,000	11,990,139	11,990,139	2.0	1.2	2,044	1,991
\$22,000 under \$25,000	12,275,304	12,687,967	1.6	0.8	2,469	2,454
\$25,000 under \$30,000	22,916,851	22,808,328	1.0	0.6	3,103	3,042
\$30,000 under \$35,000	25,080,332	48,781,218	.8	0.5	3,919	4,249
\$35,000 under \$40,000	24,713,424	46,057,420	.4	0.1	4,803	4,249
\$40,000 under \$50,000	41,501,665	62,873,790	.2	0.2	6,215	6,136
\$50,000 under \$75,000	56,064,781	26,231,286	.2	0.2	9,984	9,732
\$75,000 under \$100,000	21,794,656	38,542,715	.3	0.2	17,287	17,029
\$100,000 under \$150,000	19,895,978	28,726,392	.4	0.2	28,296	33,495
\$150,000 under \$200,000	9,760,959	14,396,794	.1	0.2	48,128	23,7
\$200,000 under \$300,000	11,362,146	33,693,869	.2	0.1	74,658	28.0
\$300,000 under \$500,000	10,670,832		.2	0.1	124,947	31.2
\$500,000 under \$1,000,000	9,878,188		.2	0.1	240,714	32.9
\$1,000,000 or more	15,728,128		.3	0.1	910,931	35.9
						39.3
						25.3
						32.9
						38.8
						41.0

See notes following Table 21.

Table 4.—Reconciliation of Adjusted Gross Income (AGI) and Personal Income Used in the National Income and Product Accounts (NIPA), Selected Years, 1970-1985

[All figures are estimates—money amounts are in billions of dollars]

Income and adjustment items	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
1. Personal Income (Commerce Department)	831.8	1,313.4	2,258.5	2,838.6	3,108.7	3,327.0
2. Portion of personal income not included in AGI	181.2	350.5	608.5	887.2	936.2	1,015.4
Transfer payments (except taxable military pay and taxable Government pensions)	79.3	176.9	290.3	388.5	373.9	400.3
Other labor income (except fees)	31.9	65.0	136.5	171.7	180.0	189.1
Imputed income	25.5	33.4	45.1	54.4	49.4	59.1
Investment income received by nonprofit institutions or retained by fiduciaries	7.7	11.2	21.7	28.7	31.6	35.9
Investment income retained by life insurance carriers and noninsured pension funds ¹	12.5	23.5	59.9	86.8	98.4	106.3
Differences in accounting treatment (Commerce Department vs. IRS)	8.5	16.0	14.1	50.6	79.8	89.0
Other excluded or exempt income	15.8	24.4	41.0	106.5	123.0	135.7
3. Portion of AGI not included in personal income	47.7	85.1	157.8	224.9	252.7	300.0
Personal contributions for social insurance	27.9	50.4	88.6	120.1	132.7	148.9
Net capital gain from sales of property	8.9	14.2	29.7	50.6	56.2	68.4
Taxable private pensions	6.3	13.1	28.3	49.4	58.4	72.9
S Corporation income (taxed through shareholders)	1.7	2.1	.7	2.0	6.2	7.9
Other taxable income	2.9	5.4	10.5	2.9	-.8	1.9
4. Total net adjustment for conceptual differences (line 2 minus line 3)	133.5	265.4	450.7	662.3	683.5	715.4
5. Estimated total AGI (Commerce Department) (line 1 minus line 4)	698.3	1,048.0	1,807.9	2,176.3	2,425.2	2,611.6
6. Adjusted gross income (AGI) (SOI)	631.7	947.8	1,613.7	1,942.6	2,139.9	p2,321.9²
7. Estimated difference in AGI (Commerce Department vs. SOI) (line 5 minus line 6)³	66.6	100.2	194.1	233.7	285.3	p289.7

See notes following Table 21.

Table 5.—Personal Income and Total Adjusted Gross Income Based on Individual Income Tax Returns, Tax Years 1947-1986

[All figures are estimates—money amounts are in billions of dollars]

Tax year	Personal income ¹	Total adjusted gross income (AGI) (per Commerce Department) ¹	Difference	
			Amount	Percentage of personal income
	(1)	(2)	(3)	(4)
1947	190.2	170.6	19.6	10.3
1948	209.2	184.6	24.6	11.8
1949	206.4	181.7	24.7	12.0
1950	228.1	201.4	26.7	11.7
1951	256.5	228.8	27.7	10.8
1952	273.8	241.8	32.0	11.7
1953	290.5	257.1	33.4	11.5
1954	293.0	256.4	36.6	12.5
1955	314.2	277.1	37.1	11.8
1956	337.2	297.9	39.3	11.7
1957	356.3	310.7	45.6	12.8
1958	367.1	316.0	51.1	13.9
1959	390.7	338.7	52.0	13.3
1960	409.4	352.5	56.9	13.9
1961	426.0	365.8	60.2	14.1
1962	453.2	387.8	65.4	14.4
1963	476.3	408.7	67.6	14.2
1964	510.2	442.0	68.2	13.4
1965	552.0	479.4	72.6	13.2
1966	600.8	520.0	80.8	13.4
1967	644.5	555.4	89.1	13.8
1968	707.2	610.0	97.2	13.7
1969	772.9	663.4	109.5	14.2
1970	831.8	698.3	133.5	16.0
1971	894.0	745.6	148.4	16.6
1972	981.6	824.7	156.9	16.0
1973	1,101.7	926.0	175.7	15.9
1974	1,210.1	1,004.0	206.1	17.0
1975	1,313.4	1,048.0	265.4	20.2
1976	1,451.4	1,166.7	284.7	19.6
1977	1,607.5	1,297.0	310.5	19.3
1978	1,812.4	1,466.9	345.5	19.1
1979	2,034.0	1,647.3	386.7	19.0
1980	2,258.5	1,807.9	450.6	20.0
1981	2,520.9	1,990.0	530.9	21.1
1982	2,670.8	2,059.4	611.4	22.9
1983	2,838.6	2,176.3	662.3	23.3
1984	3,108.7	2,425.2	683.5	22.0
p1985	3,327.0	2,611.6	715.4	21.5
p1986	3,534.3	n.a.	n.a.	n.a.

See notes following Table 21.

Selected Statistical Series 1970-88

Table 6.—Total Adjusted Gross Income and Adjusted Gross Income Reported on Individual Income Tax Returns, Tax Years 1947-86

[All figures are estimates—money amounts are in billions of dollars]

Tax year	Adjusted gross income (AGI)		Difference	
	Total (per Commerce Department) ¹	Reported on tax returns (per SOI)	Amount	Percentage of total
	(1)	(2)	(3)	(4)
1947.....	170.6	149.7	20.9	12.3
1948.....	184.6	163.6	21.0	11.4
1949.....	181.7	160.6	21.1	11.6
1950.....	201.4	179.1	22.3	11.1
1951.....	228.8	202.4	26.4	11.5
1952.....	241.8	215.3	26.5	11.0
1953.....	257.1	228.7	28.4	11.0
1954.....	256.4	229.2	27.2	10.6
1955.....	277.1	248.5	28.6	10.3
1956.....	279.9	267.8	30.1	10.1
1957.....	310.7	280.4	30.3	9.8
1958.....	316.0	281.2	34.8	11.0
1959.....	338.7	305.1	33.6	9.9
1960.....	352.5	315.5	37.0	10.5
1961.....	365.8	329.9	35.9	9.8
1962.....	387.8	348.7	39.1	10.1
1963.....	408.7	368.8	39.9	9.8
1964.....	442.0	396.7	45.3	10.2
1965.....	479.4	429.2	50.2	10.5
1966.....	520.0	468.5	51.5	9.9
1967.....	555.4	504.8	50.6	9.1
1968.....	610.0	554.4	55.6	9.1
1969.....	663.4	603.5	59.9	9.0
1970.....	698.3	631.7	66.6	9.5
1971.....	745.6	673.6	72.0	9.7
1972.....	824.7	746.0	78.7	9.5
1973.....	926.0	827.1	98.9	10.7
1974.....	1,004.0	905.5	98.5	9.8
1975.....	1,048.0	947.8	100.2	9.6
1976.....	1,166.7	1,053.9	112.8	9.7
1977.....	1,297.0	1,158.5	138.5	10.7
1978.....	1,466.9	1,302.4	164.5	11.2
1979.....	1,647.3	1,465.4	181.9	11.0
1980.....	1,807.9	1,613.7	194.2	10.7
1981.....	1,990.0	1,772.6	217.4	10.9
1982.....	2,059.4	1,852.1	207.3	10.1
1983.....	2,176.3	1,942.6	233.7	10.7
1984.....	2,425.2	2,139.9	287.2	11.8
1985.....	p2,611.6	2,306.0	(^a)	(^a)
p1986.....	3,534.3	2,522.5	(^a)	(^a)

See notes following Table 21.

Table 7.—Standard and Itemized Deductions, Taxable and Nontaxable Individual Income Tax Returns, Tax Years 1944-1986

[All figures are estimates based on samples—number of returns are in millions; money amounts are in billions of dollars]

Tax Year	Total number of returns	Standard deduction ¹		Itemized deductions		Total deductions	
		Number of returns ²	Amount	Number of returns ²	Amount ³	Amount	Percentage of adjusted gross income (AGI)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1944.....	47.1	38.7	8.0	8.4	4.8	12.8	11.0
1945.....	49.9	41.5	8.1	8.5	5.5	13.6	11.3
1946.....	52.8	44.1	8.9	8.8	6.3	15.2	11.3
1947.....	55.1	44.7	9.8	10.4	7.8	17.6	11.8
1948.....	52.1	43.2	11.5	8.8	7.9	19.4	11.9
1949.....	51.8	42.1	11.1	9.7	8.8	19.9	12.4
1950.....	53.1	42.7	12.0	10.3	9.9	21.9	12.2
1951.....	55.4	43.9	13.3	11.6	11.9	25.2	12.5
1952.....	56.5	43.7	13.7	12.8	13.6	27.3	12.7
1953.....	57.8	43.4	14.2	14.4	15.6	29.8	13.0
1954.....	56.7	41.0	13.3	15.7	17.4	30.7	13.4
1955.....	58.3	41.4	13.6	16.9	20.0	33.6	13.5
1956.....	59.2	40.7	13.8	18.5	22.6	36.4	13.6
1957.....	59.8	39.7	13.8	20.2	25.7	39.5	14.1
1958.....	59.1	38.3	13.2	20.8	27.5	40.7	14.5
1959.....	60.3	37.8	13.4	22.5	32.0	45.4	14.9
1960.....	61.0	36.9	13.1	24.1	35.3	48.4	15.3
1961.....	61.5	36.2	12.9	25.3	38.4	51.3	15.6
1962.....	62.7	36.3	13.1	26.5	41.7	54.8	15.7
1963.....	63.9	35.8	13.1	28.2	46.1	59.2	16.1
1964.....	65.4	38.5	20.2	26.9	46.8	67.0	16.9
1965.....	67.6	39.7	20.6	27.9	50.7	71.4	16.6
1966.....	70.2	41.6	21.8	28.6	54.6	76.4	16.3
1967.....	71.7	41.9	22.1	29.8	59.6	81.7	16.2
1968.....	73.7	41.7	22.1	32.0	69.2	91.3	16.4
1969.....	75.8	40.9	21.6	34.9	80.2	101.8	16.8
1970.....	74.3	38.8	32.4	35.4	88.2	120.5	19.0
1971.....	74.6	43.9	48.1	30.7	91.9	139.9	20.7
1972.....	77.6	50.6	69.8	27.0	96.7	166.4	22.2
1973.....	80.7	52.6	73.6	28.0	107.0	180.6	21.8
1974.....	83.3	53.8	76.1	29.6	119.4	195.5	21.6
1975.....	82.2	56.1	100.9	26.1	122.3	223.2	23.5
1976.....	84.7	58.7	113.8	26.0	133.9	247.6	23.5
1977.....	86.6	63.7	137.7	22.9	138.5	276.2	23.8
1978.....	89.8	64.0	139.8	25.8	164.4	304.2	23.4
1979.....	92.7	66.2	148.8	26.5	184.2	333.0	22.7
1980.....	93.9	65.0	146.0	29.0	218.0	364.0	22.6
1981.....	95.4	63.8	144.7	31.6	256.4	401.2	22.6
1982.....	95.3	61.9	140.2	33.4	284.5	424.7	22.9
1983.....	96.3	61.1	138.5	35.2	309.6	448.2	23.1
1984.....	99.4	61.2	139.5	38.2	358.9	498.4	23.3
1985.....	101.7	61.8	145.0	39.8	405.0	550.0	23.9
p1986.....	103.3	62.5	151.5	40.8	446.5	598.0	23.7

See notes following Table 21.

Table 8.—Personal Income, Taxable Income, and Individual Income Tax, Tax Years 1947-1986

[All figures are estimates—money amounts are in billions of dollars]

Tax year	Personal income ¹	Taxable income ²		Total income tax ³		
		Amount	As a percentage of personal income	Total	As a percentage of—	
					Personal income	Taxable income
	(1)	(2)	(3)	(4)	(5)	(6)
1947.....	190.2	75.4	39.6	18.1	9.5	24.0
1948.....	209.2	74.8	35.8	15.4	7.4	20.6
1949.....	206.4	71.7	34.7	14.5	7.0	20.2
1950.....	228.1	84.3	37.0	18.4	8.1	21.8
1951.....	256.5	99.2	38.7	24.2	9.4	25.9
1952.....	273.8	107.2	39.2	27.8	10.2	25.9
1953.....	290.5	114.3	39.3	29.4	10.1	25.7
1954.....	293.0	115.3	39.4	26.7	9.1	23.2
1955.....	314.2	128.0	40.7	29.6	9.4	23.1
1956.....	337.2	141.5	42.0	32.7	9.7	23.1
1957.....	356.3	149.4	41.9	34.4	9.7	23.0
1958.....	367.1	149.3	40.7	34.3	9.3	23.0
1959.....	390.7	166.5	42.6	38.6	9.9	23.2
1960.....	409.4	171.6	41.9	39.5	9.6	23.0
1961.....	426.0	181.8	42.7	42.2	9.9	23.2
1962.....	453.2	195.3	43.1	44.9	9.9	23.0
1963.....	476.3	209.1	43.9	48.2	10.1	23.1
1964.....	510.2	229.9	45.1	47.2	9.3	20.5
1965.....	552.0	255.1	46.2	49.6	9.0	19.4
1966.....	600.8	286.3	47.7	56.1	9.3	19.6
1967.....	644.5	315.1	48.9	63.0	9.8	20.0
1968.....	707.2	352.8	49.9	76.7	10.8	21.7
1969.....	772.9	388.8	50.3	86.6	11.2	22.3
1970.....	831.8	401.2	48.2	83.9	10.1	20.9
1971.....	894.0	414.0	46.3	85.4	9.6	20.6
1972.....	981.6	447.6	45.6	93.6	9.5	20.9
1973.....	1,101.7	511.9	46.5	108.1	9.8	21.1
1974.....	1,210.1	573.6	47.4	123.6	10.2	21.5
1975.....	1,313.4	595.5	45.3	124.5	9.5	20.9
1976.....	1,451.4	674.9	46.5	141.8	9.8	21.0
1977.....	1,607.5	733.8	45.6	159.8	9.9	21.8
1978.....	1,812.4	846.4	46.7	188.2	10.4	22.2
1979.....	2,034.0	926.6	45.6	214.5	10.5	23.2
1980.....	2,258.5	1,045.2	46.3	250.3	11.1	24.0
1981.....	2,520.9	1,170.1	46.4	284.1	11.3	24.3
1982.....	2,670.8	1,231.9	46.1	277.6	10.4	22.6
1983.....	2,838.6	1,300.2	45.8	274.2	9.7	21.1
1984.....	3,108.7	1,447.0	46.5	301.9	9.7	20.9
1985.....	3,327.0	1,551.8	46.6	325.7	9.8	21.0
p1986.....	3,534.3	1,694.0	(^a)	377.1	(^a)	22.2

See notes following Table 21.

Table 9.—Number of Individual Income Tax Returns, by Type of Tax Settlement, Tax Years 1944-1986

[All figures are estimates based on samples—number of returns are in millions].

Tax Year	Total number of returns	Returns with—		No overpayments or tax due ¹
		Tax due at time of filing ¹	Overpayments ¹	
	(1)	(2)	(3)	(4)
1944.....	47.1	22.6	22.9	1.6
1945.....	49.9	14.5	33.5	1.9
1946.....	52.8	13.6	34.4	4.8
1947.....	55.1	15.3	33.0	6.7
1948.....	52.1	8.1	38.4	5.6
1949.....	51.8	13.8	30.2	7.9
1950.....	53.1	14.3	32.0	6.8
1951.....	55.4	18.6	31.0	5.8
1952.....	56.5	19.3	32.1	5.1
1953.....	57.8	19.0	32.7	6.2
1954.....	56.7	16.6	35.2	5.0
1955.....	58.3	18.7	35.4	4.2
1956.....	59.2	19.4	36.1	3.7
1957.....	59.8	18.6	37.6	3.6
1958.....	59.1	18.1	37.4	3.6
1959.....	60.3	19.1	38.4	2.8
1960.....	61.0	18.1	39.4	3.5
1961.....	61.5	18.6	40.0	2.9
1962.....	62.7	18.7	40.9	3.1
1963.....	63.9	19.3	41.4	3.3
1964.....	65.4	22.5	39.3	3.5
1965.....	67.6	20.0	44.3	3.2
1966.....	70.2	17.8	49.4	3.0
1967.....	71.7	17.5	51.2	3.0
1968.....	73.7	20.3	50.6	2.8
1969.....	75.8	17.9	54.9	3.0
1970.....	74.3	16.5	55.3	2.5
1971.....	74.6	17.0	55.3	2.4
1972.....	77.6	11.9	63.3	2.3
1973.....	80.7	14.2	64.2	2.2
1974.....	83.3	15.4	65.8	2.1
1975.....	82.2	15.8	63.8	2.6
1976.....	84.7	16.9	65.0	2.8
1977.....	86.6	17.8	66.0	2.8
1978.....	89.8	21.6	65.5	2.7
1979.....	92.7	18.8	71.4	2.4
1980.....	93.9	21.8	69.9	2.3
1981.....	95.4	23.0	70.0	2.4
1982.....	95.3	20.3	72.4	2.6
1983.....	96.3	18.5	75.0	2.8
1984.....	99.4	21.2	75.6	2.7
1985.....	101.7	21.2	77.4	3.1
p1986.....	103.3	21.4	76.9	5.0

See notes following Table 21.

Table 10.—Nonfarm Sole Proprietorship Returns: Selected Income and Deduction Items for Selected Tax Years, 1970-1986

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	1970	1975	1980	1984	1985	p1986
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	5,769,741	7,221,346	8,931,712	11,262,390¹	11,928,573¹	12,197,123¹
Number with net income.....	n.a.	n.a.	n.a.	8,002,865	8,640,701	9,300,367
Inventory, end of year	11,060,775	15,578,040	21,996,236	23,232,929	24,969,895	23,643,416
Business receipts, total	198,582,172	273,954,741	411,205,713	516,036,944	540,045,430	547,209,259
Income from sales and operations.....	n.a.	272,342,560	407,169,299	507,234,292	528,675,271	536,692,100
Total deductions	168,044,746	234,318,288	356,258,495	445,270,334	461,272,852	228,021,886
Cost of sales and operations.....	109,148,811	146,261,435	209,889,809	229,905,960	232,294,132	n.a.
Purchases.....	88,585,913	117,722,352	168,301,517	n.a.	n.a.	n.a.
Cost of labor.....	7,704,285	8,791,083	10,922,221	13,008,803	14,504,201	16,736,334
Materials and supplies.....	6,216,057	9,090,638	12,909,222	n.a.	n.a.	n.a.
Commissions.....	1,274,016	2,225,830	3,333,345	n.a.	n.a.	5,038,371
Net salaries and wages.....	15,107,047	20,227,859	26,560,821	34,686,204	38,265,691	37,740,745
Car and truck expenses.....	n.a.	n.a.	13,378,289	17,523,807	17,044,421	16,091,099
Rent paid.....	4,636,528	6,676,314	9,636,290	14,278,260	15,258,690	15,026,429
Repairs.....	2,444,607	3,044,175	5,031,573	n.a.	n.a.	n.a.
Taxes paid.....	3,775,502	5,423,961	7,672,459	n.a.	n.a.	n.a.
Utilities.....	n.a.	n.a.	4,790,337	n.a.	n.a.	12,261,304
Insurance.....	2,309,608	3,503,812	6,003,126	n.a.	n.a.	10,600,988
Interest paid.....	1,784,276	3,390,845	7,190,257	11,025,276	11,913,982	10,545,724
Depreciation.....	5,451,525	7,958,143	13,952,703	23,900,034	26,291,389	25,543,888
Pension and profit sharing plans.....	72,741	125,296	141,463	258,070	311,323	661,932
Net income (less deficit)	30,537,426	36,636,453	54,947,219	70,766,610	78,772,578	90,367,239
Net income.....	33,735,732	45,624,890	68,010,051	89,849,570	98,775,563	109,316,401
Deficit.....	3,198,306	5,988,437	13,062,832	19,082,960	20,002,986	18,949,162

See notes following Table 21.

Table 11.—Partnership Returns: Balance Sheet Items and Selected Income Statement for Selected Income Years, 1970-1985

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
Total number of active partnerships	936,133	1,073,094	1,379,654	1,541,539	1,643,581	1,713,603
Number with net income.....	639,795	661,134	774,173	783,968	844,738	875,846
Number with balance sheets.....	555,741	783,271	1,194,236	1,190,696	1,201,320	1,227,498
Number of partners	3,697,818	4,950,634	8,419,899	10,589,338	12,426,721	13,244,824
Total assets¹	116,752,751	235,468,301	597,503,923	886,992,767	1,030,848,519	1,269,434,302
Depreciable assets (net).....	n.a.	113,124,969	239,139,823	485,402,717	581,643,219	695,878,822
Inventories, end of year.....	n.a.	11,985,431	33,218,272	n.a.	39,446,014	27,279,234
Land.....	n.a.	36,731,958	70,241,248	98,427,459	122,036,819	152,179,314
Total liabilities¹	n.a.	193,875,629	488,734,023	886,992,774	1,030,848,464	1,269,434,367
Accounts payable.....	n.a.	12,302,055	33,899,048	34,724,772	32,780,197	40,871,755
Short-term debt ²	n.a.	22,709,476	48,001,839	67,294,519	68,625,844	102,760,363
Long-term debt ³	n.a.	136,296,764	178,044,406	268,268,458	322,327,016	93,319,855
Nonrecourse loans.....	n.a.	n.a.	118,910,380	194,828,542	260,167,109	327,558,208
Partners' capital accounts	n.a.	41,592,672	108,769,900	141,839,683	175,475,922	200,212,653
Total receipts⁴	93,348,080	148,417,529	291,998,115	291,318,703	375,192,511	367,117,316
Business receipts.....	90,208,834	142,505,781	271,108,832	243,248,370	318,342,380	302,733,374
Interest received.....	942,304	2,477,173	10,869,323	15,006,055	16,651,205	20,558,966
Total deductions⁴	83,557,684	140,679,959	283,749,460	293,928,744	378,692,535	376,000,991
Cost of sales and operations.....	46,040,874	64,672,843	113,885,668	125,330,745	180,857,822	146,315,315
Purchases.....	31,820,581	42,608,734	70,439,607	n.a.	100,358,781	91,925,923
Cost of labor.....	4,146,927	4,585,836	7,015,547	n.a.	7,826,231	8,845,106
Salaries and wages ⁴	8,129,233	12,489,039	22,336,337	24,733,780	28,522,626	33,884,204
Taxes paid.....	3,159,258	5,770,918	9,553,145	5,909,545	6,673,186	7,745,756
Interest paid ⁴	4,470,206	12,097,100	28,362,385	22,364,264	25,437,588	28,674,933
Depreciation ^{4,5}	4,578,820	10,108,834	21,576,189	37,340,062	46,939,395	53,650,790
Net income (less deficit)	9,790,396	7,737,570	8,248,655	-2,610,041	-3,500,024	8,883,674
Net income.....	14,419,124	22,431,931	45,061,756	60,308,114	69,696,922	77,044,693
Deficit.....	4,628,728	14,694,361	36,813,100	62,918,155	73,196,946	85,928,367

See notes following Table 21.

Table 12.—Number of Business Income Tax Returns, by Size of Business, for Selected Income Years, 1970-1985

[All figures are estimates based on samples—number of businesses are in thousands]

Size of business	Number of businesses for—					
	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
CORPORATIONS						
Receipt size¹						
Under \$25,000 ²	451.9	468.9	557.0	629.2	686.1	n.a.
\$25,000 under \$50,000.....	170.7	186.4	207.7	212.9	212.5	n.a.
\$50,000 under \$100,000.....	219.8	260.7	322.7	330.0	338.7	n.a.
\$100,000 under \$250,000.....			558.4	597.8	615.2	n.a.
\$250,000 under \$500,000.....	516.9	673.9	367.3	444.9	468.4	n.a.
\$500,000 under \$1,000,000.....	141.1	184.2	279.8	315.9	344.8	n.a.
\$1,000,000 or more.....	165.0	249.5	417.7	468.3	505.0	n.a.
Asset size						
Under \$100,000 ³	961.0	1,177.7	1,514.6	1,665.5	1,773.7	n.a.
\$100,000 under \$1 million.....	599.1	704.6	968.9	1,074.7	1,119.8	n.a.
\$1 million under \$10 million.....	87.0	116.4	191.8	218.3	232.9	n.a.
\$10 million under \$25 million.....	9.8	12.2	16.6	18.8	20.8	n.a.
\$25 million under \$50 million.....	3.9	5.6	7.8	8.9	10.1	n.a.
\$50 million under \$100 million.....	2.1	3.1	4.8	5.7	6.0	n.a.
\$100 million under \$250 million.....	1.4	2.1	3.2	3.6	3.8	n.a.
\$250 million and over.....	1.2	1.9	2.9	3.4	3.7	n.a.
PARTNERSHIPS						
Receipt size¹						
Under \$25,000 ²	501.7	549.7	638.0	r781.1 ⁴	r820.4 ⁴	840.1 ⁴
\$25,000 under \$50,000.....	125.2	141.0	181.8	r176.5	r197.3	195.5
\$50,000 under \$100,000.....	119.6	133.7	183.6	r204.2	r200.5	199.5
\$100,000 under \$200,000.....	97.2	114.0	155.2	r146.6	r162.8	190.1
\$200,000 under \$500,000.....	65.2	90.6	135.6	r135.1	r149.9	165.5
\$500,000 under \$1,000,000.....	17.0	25.5	48.1	r54.3	r60.6	66.9
\$1,000,000 or more.....	10.3	18.6	37.4	r43.7	r52.1	56.0
Asset size⁵						
Under \$25,000.....	635.7	611.0	541.9	r711.1	773.8	794.1
\$25,000 under \$50,000.....	80.8	105.9	156.3	115.5	118.6	132.7
\$50,000 under \$100,000.....	73.5	106.8	180.2	164.6	170.5	165.8
\$100,000 under \$200,000.....	74.7	116.0	219.1	207.0	208.5	210.9
\$200,000 - \$500,000.....	33.8	56.9	117.9	131.2	129.0	142.8
\$500,000 - \$1,000,000.....	19.3	35.3	72.1	86.3	93.8	100.0
\$1,000,000 or more.....	18.3	41.2	92.2	125.8	149.4	167.2
NONFARM SOLE PROPRIETORSHIPS						
Receipt size						
Under \$2,500 ²	1,894.3	2,299.9	2,783.1	2,908.5	2,988.9	3,067.5
\$2,500 under \$5,000.....	815.1	959.4	1,158.6	1,313.9	1,324.4	1,444.6
\$5,000 under \$10,000.....	891.5	1,041.7	1,262.9	1,452.3	1,482.4	1,633.6
\$10,000 under \$25,000.....	1,137.4	1,325.7	1,711.8	1,916.6	2,036.4	2,104.6
\$25,000 under \$50,000.....	746.4	849.5	1,079.1	1,187.0	1,261.3	1,393.9
\$50,000 under \$100,000.....	562.0	644.5	835.6	919.3	1,061.3	1,094.1
\$100,000 under \$200,000.....	297.4	380.9	795.8	888.7	984.4	1,060.2
\$200,000 under \$500,000.....	122.3	209.2				
\$500,000 under \$1,000,000.....	20.8	35.3	73.9	82.9	86.1	89.3
\$1,000,000 or more.....	6.6	13.5	29.2	34.9	36.8	40.7

See notes following Table 21.

Table 13.—Corporation Income Tax Returns: Balance Sheet, Income Statement, and Tax Items for Selected Income Years, 1970-1985

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Items	1970	1975	1980	1983	1984	p1985
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total.....	1,665,477	2,023,647	2,710,538	2,999,071	3,170,743	3,282,147
Number with net income.....	1,008,337	1,226,208	1,596,632	1,676,288	1,777,770	1,820,160
Consolidated returns ¹	19,871	38,307	57,890	73,645	80,256	79,690
S Corporation returns ^{1,2}	257,475	358,413	545,389	648,267	701,339	725,021
DISC returns ^{1,3}	N/A	6,431	8,665	9,898	12,480	1,379
Total assets.....	2,634,706,564	4,286,556,273	7,617,238,403	10,201,084,144	11,106,701,948	12,915,487,068
Cash.....	176,924,573	290,426,439	528,914,747	590,386,817	595,773,262	682,486,974
Notes and accounts receivable.....	614,667,367	1,051,542,806	1,984,601,790	2,677,367,962	2,896,980,896	3,332,706,279
Less: Allowance for bad debts.....	20,030,327	31,032,998	50,057,307	51,162,613	54,341,671	63,070,777
Inventories.....	190,401,642	317,718,545	534,806,547	599,445,162	664,243,060	737,727,986
Investments in Government obligations.....	196,625,390	316,131,699	472,059,737	685,146,228	725,695,801	926,287,924
Other current assets.....	73,058,482	145,101,716	310,177,160	433,594,597	513,743,712	641,031,988
Loans to stockholders.....	4,774,082	9,355,636	29,873,250	47,836,294	58,430,009	57,430,713
Mortgage and real estate loans.....	327,593,354	548,054,483	894,323,489	982,415,018	1,126,962,114	1,267,776,023
Other investments.....	401,389,022	626,266,074	1,213,986,210	1,798,295,351	1,972,830,815	2,450,386,789
Depreciable assets.....	868,908,018	1,276,564,500	2,107,027,914	2,730,371,698	2,913,301,626	3,174,632,962
Less: Accumulated depreciation.....	334,646,086	483,798,526	767,841,763	1,024,756,282	1,116,171,771	1,231,137,436
Depletable assets.....	18,517,264	38,511,396	71,901,490	107,958,232	114,808,431	112,951,996
Less: Accumulated depletion.....	6,774,796	14,501,561	19,569,556	32,682,172	36,340,299	37,200,424
Land.....	46,626,157	66,819,206	92,931,935	119,350,378	128,269,064	142,035,017
Intangible assets (amortizable).....	12,818,168	12,823,183	45,480,694	87,852,590	117,467,829	146,216,988
Less: Accumulated amortization.....	5,984,184	4,491,990	18,393,037	25,062,592	36,190,604	42,624,022
Other assets.....	69,838,438	121,065,665	187,015,106	474,727,482	521,126,077	617,848,091
Total liabilities.....	2,634,706,564	4,286,556,273	7,617,238,403	10,201,084,144	11,106,701,948	12,915,487,068
Accounts payable.....	148,812,597	263,417,584	542,172,368	671,495,438	741,372,874	891,021,406
Mortgages, notes, and bonds payable in less than 1 year.....	170,884,261	272,123,551	504,802,288	759,536,076	866,546,604	1,008,707,416
Other current liabilities.....	892,218,397	1,577,425,991	2,706,796,360	3,513,512,199	3,760,174,725	4,332,770,073
Loans from stockholders.....	24,573,814	38,143,936	85,718,510	131,025,956	145,250,514	185,091,502
Mortgages, notes, and bonds payable in 1 year or more.....	362,700,303	586,703,526	986,663,932	1,323,209,421	1,494,350,573	1,703,052,805
Other liabilities.....	283,106,029	451,676,880	846,696,691	1,156,873,507	1,214,879,371	1,60,453,231
Capital stock.....	201,213,719	251,715,862	417,153,783	787,278,549	839,344,197	801,594,160
Paid-in or capital surplus.....	196,642,421	298,534,854	532,039,407	873,620,667	1,066,288,359	1,549,096,959
Retained earnings, appropriated.....	16,657,051	29,955,676	41,461,644	52,538,370	51,100,507	76,160,392
Retained earnings, unappropriated.....	349,225,750	537,631,026	1,027,902,049	1,221,793,087	1,256,771,201	1,310,927,001
Less: Cost of treasury stock.....	11,327,778	20,772,613	74,168,627	289,799,122	329,376,924	403,387,872
Total receipts.....	1,750,776,503	3,198,627,860	6,361,284,012	7,135,494,059	7,860,711,226	8,417,825,981
Business receipts.....	1,620,886,576	2,961,729,640	5,731,616,337	6,334,602,711	6,948,481,893	7,381,700,403
Interest on State and local Government obligations.....	3,775,917	6,711,606	12,620,876	16,667,263	16,613,501	19,187,109
Other interest.....	67,794,508	136,587,304	354,243,674	496,648,009 ⁴	566,537,974 ⁴	622,144,155 ⁴
Dividends received from domestic corporations.....	5,238,421	8,818,282	18,654,800	19,696,776	21,185,391	17,227,463
Dividends received from foreign corporations.....	3,466,515	5,467,726	14,563,353	13,892,070	15,373,474	20,819,980
Rents.....	13,938,502	21,765,130	41,371,141	69,580,411	75,834,113	90,230,610
Royalties.....	2,586,387	5,167,141	12,450,250	13,876,095	14,535,929	15,310,799
Net short-term capital gain reduced by net long-term capital loss.....	190,439	301,601	2,013,510	5,048,854	3,233,999	7,046,580
Net long-term capital gain reduced by net short-term capital loss.....	5,481,580	8,364,523	24,910,957	33,924,549	38,518,792	53,552,995
Net gain, noncapital assets.....	5,315,562	7,757,287	20,117,615	26,134,711	26,506,096	35,659,350
Other receipts.....	22,102,096	35,957,620	128,721,498	105,422,613	133,948,728	154,946,537

Table 13. (Continued)—Corporation Income Tax Returns: Balance Sheet, Income Statement, and Tax Items for Selected Income Years, 1970-1985

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Items	1970	1975	1980	1983	1984	p1985
	(1)	(2)	(3)	(4)	(5)	(6)
Total deductions	1,682,778,847	3,052,674,597	6,125,365,155	6,945,457,358	7,628,772,066	8,177,333,540
Cost of sales and operations.....	1,146,263,273	2,129,928,467	4,204,905,905	4,308,238,989	4,692,505,746	4,901,982,997
Compensation of officers.....	32,846,381	57,832,552	108,973,751	141,193,212	157,028,565	170,775,642
Repairs.....	13,986,819	23,422,171	42,407,967	74,652,495	76,367,591	81,107,722
Bad debts.....	6,479,814	13,781,147	18,769,771	30,543,184	33,803,267	43,213,528
Rent paid on business property.....	23,842,355	40,769,829	71,990,832	104,717,965	119,476,469	134,228,867
Taxes paid.....	49,523,243	81,530,302	163,003,622	173,420,116	191,748,629	201,165,946
Interest paid.....	62,055,010	129,307,921	344,612,542	475,060,444	535,814,101	569,672,802
Contributions or gifts.....	797,029	1,202,130	2,358,554	3,626,605	4,057,112	4,457,259
Amortization.....	745,005	717,398	1,374,658	4,309,952	5,170,089	6,123,166
Depreciation.....	52,941,266	86,295,664	157,345,828	241,491,819	264,882,261	304,285,108
Depletion.....	5,623,339	5,341,489	8,871,993	7,574,216	8,051,260	7,612,646
Advertising.....	18,089,097	26,605,786	52,266,004	72,393,870	82,023,440	93,033,956
Pension, profit-sharing, stock bonus, and annuity plans.....	12,225,912	26,526,129	51,529,310	54,355,062	52,555,188	49,478,712
Employee benefit programs.....	7,398,283	15,690,563	40,179,104	59,115,141	64,547,638	71,292,562
Net loss, noncapital assets.....	1,289,305	1,804,079	5,903,104	7,615,697	9,647,008	7,880,637
Other deductions.....	248,672,716	411,918,970	850,872,216	1,187,148,601	1,331,088,812	1,531,021,990
Total receipts less total deductions	67,997,656	145,953,263	235,918,858	190,036,702	231,939,061	240,492,441
Constructive taxable income from related foreign corporations.....	1,679,875	3,395,169	15,708,560	14,944,490	17,575,037	20,121,174
Net income (less deficit)	65,901,614	142,636,826	239,006,542	188,313,928	232,900,596	241,276,404
Net income.....	83,710,924	169,483,336	296,787,201	296,932,146	349,179,415	365,787,772
Deficit.....	17,809,310	26,846,510	57,780,659	108,618,218	116,278,819	124,511,368
Income subject to tax	72,374,437	146,589,287	246,598,486	218,686,396	257,054,060	267,278,538
Income tax, total	33,293,018	66,144,308	105,142,436	92,218,567	107,968,407	111,772,193
Regular and alternative tax.....	32,949,937	65,769,822	103,831,172	90,461,858	106,013,271	109,548,271
Tax from recomputing prior- year investment credit.....	77,832	217,138	867,571	1,175,071	1,382,945	1,499,570
Tax from recomputing prior-year work incentive (WIN) credit.....	N/A	608	4,873	N/A	N/A	N/A
Additional tax for tax preferences.....	265,249	156,740	438,820	561,505	544,863	713,345
Foreign tax credit.....	4,548,986	19,987,724	24,879,737	19,951,165	21,075,296	24,203,400
U.S. possessions tax credit.....	N/A	N/A	1,572,734	1,966,168	1,978,578	2,389,203
Investment credit.....	865,954	6,459,746	15,102,812	16,145,173	(¹)	(¹)
Work incentive (WIN) credit.....	N/A	5,321	36,483	N/A	N/A	N/A
Jobs credit.....	N/A	N/A	601,444	449,224	(¹)	(¹)
Nonconventional source fuel credit.....	N/A	N/A	2	33,012	69,695	43,135
Alcohol fuel credit.....	N/A	N/A	4	7,178	(¹)	(¹)
Research activities credit.....	N/A	N/A	N/A	1,277,474	1,589,048	1,626,526
Employees stock ownership credit.....	N/A	N/A	N/A	909,880	(¹)	(¹)
Orphan drug credit.....	N/A	N/A	N/A	*236	*105	*217
General business credit.....	N/A	N/A	N/A	N/A	19,265,475	19,692,151
Distributions to stockholders:						
Cash and property except in own stock.....	32,012,677	45,224,392	97,378,617	128,298,545	144,871,643	n.a.
Corporation's own stock.....	1,922,810	2,066,559	3,525,549	4,810,283	5,889,191	n.a.

See notes following Table 21.

Table 14.—Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items by Industrial Division, for Selected Income Years, 1970-1985

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Industrial division and items	1970	1975	1980	1983	1984	p1985
	(1)	(2)	(3)	(4)	(5)	(6)
AGRICULTURE, FORESTRY AND FISHING						
Number of returns, total	37,283	56,280	80,883	92,125	98,361	102,354
Number with net income	19,843	33,328	43,827	47,636	r50,037	51,837
Total assets	11,909,403	21,177,941	40,738,977	50,292,891	50,699,926	52,479,699
Net worth	4,012,068	6,844,949	11,460,935	13,559,332	14,310,555	15,395,396
Total receipts	14,277,707	28,118,514	52,089,915	59,208,642	66,645,119	70,228,067
Business receipts	13,591,763	26,624,149	48,850,056	55,114,507	62,093,338	65,169,420
Interest received	69,742	171,732	476,654	r677,378	723,118	771,714
Total deductions	14,209,713	27,369,286	51,418,280	59,386,796	66,436,289	70,294,254
Cost of sales and operations	10,555,539	19,738,447	35,798,332	38,308,491	42,991,472	44,943,566
Interest paid	356,225	797,420	2,184,441	2,866,689	2,952,198	2,747,259
Net income (less deficit)	65,295	746,908	673,158	-196,528	202,522	-72,465
Net income	493,400	1,493,168	2,464,381	2,499,829	2,874,899	2,921,826
Deficit	428,105	746,260	1,791,222	2,696,357	2,672,377	2,994,291
Income tax before credits	113,115	351,059	533,768	430,119	509,081	540,144
Total income tax after credits ¹	107,023	294,584	422,356	313,537	373,115	344,428
Distributions to stockholders except in own stock	65,824	244,524	304,733	172,301	417,177	n.a.
MINING						
Number of returns, total	14,465	14,242	25,576	37,066	40,564	41,268
Number with net income	7,303	8,297	12,698	15,526	18,177	18,002
Total assets	23,972,812	64,505,341	126,947,880	194,417,434	209,036,474	213,939,544
Net worth	13,381,821	32,765,690	54,068,148	85,602,456	94,335,000	97,602,618
Total receipts	17,747,750	65,909,994	176,672,390	132,419,750	123,496,633	115,887,087
Business receipts	16,699,586	63,670,496	167,397,918	122,510,903	111,030,063	101,569,767
Interest received	176,728	522,757	1,301,266	r2,529,873	3,089,562	3,109,233
Total deductions	15,927,348	42,348,765	169,051,624	134,305,739	124,627,966	118,966,378
Cost of sales and operations	9,955,600	30,171,612	116,989,880	85,540,564	74,213,000	69,106,404
Interest paid	388,032	1,166,182	3,440,080	6,763,864	7,077,300	6,698,031
Net income (less deficit)	1,834,315	23,574,833	7,750,561	-1,586,098	-353,185	-2,278,931
Net income	2,399,507	24,347,893	10,133,685	5,929,343	6,991,815	6,154,568
Deficit	565,192	773,060	2,383,124	7,515,441	7,344,999	8,433,499
Income tax before credits	1,031,550	11,361,037	3,947,569	3,203,406	2,381,154	1,805,479
Total income tax after credits ¹	342,928	1,051,138	1,674,566	1,282,044	1,014,361	554,239
Distributions to stockholders except in own stock	1,177,550	1,015,895	4,757,780	2,710,318	3,057,411	n.a.
CONSTRUCTION						
Number of returns, total	138,905	191,219	272,432	283,519	306,906	318,714
Number with net income	82,078	108,852	150,368	150,138	173,351	185,544
Total assets	42,719,792	76,691,947	132,939,026	161,365,795	195,272,738	214,292,801
Net worth	11,819,604	19,029,077	32,826,174	41,540,682	50,338,974	54,469,925
Total receipts	90,610,644	146,955,117	267,205,356	290,798,843	338,575,635	385,060,487
Business receipts	88,945,385	143,412,715	260,387,692	280,896,210	326,752,784	372,524,707
Interest received	219,698	614,583	2,073,650	r2,762,556	3,540,430	3,804,909
Total deductions	89,070,022	144,717,309	262,116,275	288,574,577	335,696,154	380,672,727
Cost of sales and operations	73,434,969	116,845,554	208,064,925	221,189,268	257,057,538	294,053,044
Interest paid	711,496	1,973,244	4,278,502	4,861,075	5,990,178	6,327,504
Net income (less deficit)	1,538,418	2,236,262	5,271,209	2,265,564	2,906,704	4,345,698
Net income	2,548,013	4,514,864	8,911,143	7,990,419	9,147,150	11,020,053
Deficit	1,009,595	2,278,602	3,639,934	5,724,855	6,240,445	6,674,355
Income tax before credits	776,979	1,320,196	2,521,507	1,859,927	1,767,756	2,300,493
Total income tax after credits ¹	756,637	1,131,960	1,973,659	r1,393,074	1,296,301	1,661,109
Distributions to stockholders except in own stock	299,204	464,553	793,764	846,579	738,873	n.a.
MANUFACTURING						
Number of returns, total	197,807	217,354	242,550	261,927	272,050	275,452
Number with net income	120,814	136,839	153,640	152,304	162,584	159,422
Total assets	612,912,516	944,581,970	1,709,471,700	2,232,987,922	2,417,631,605	2,693,690,998
Net worth	308,923,293	442,587,674	749,186,774	953,108,742	1,025,028,491	1,123,128,414
Total receipts	722,952,890	1,296,359,650	2,404,323,844	2,552,830,718	2,768,247,655	2,857,091,550
Business receipts	700,090,661	1,258,338,650	2,301,056,550	2,418,344,305	2,608,971,901	2,681,646,423
Interest received	4,748,499	8,691,092	28,315,784	r37,958,034	42,749,996	48,047,371
Total deductions	692,455,462	1,230,689,496	2,290,593,808	2,469,257,725	2,661,153,853	2,758,021,741
Cost of sales and operations	495,879,549	925,111,030	1,707,143,900	1,678,378,729	1,796,313,155	1,816,993,023
Interest paid	12,570,242	22,055,903	54,177,356	73,973,082	85,039,616	91,347,795
Net income (less deficit)	31,846,078	68,406,627	125,667,815	95,330,965	121,215,254	114,520,961
Net income	37,925,489	74,466,554	141,547,510	124,417,490	147,852,003	143,599,952
Deficit	6,079,411	6,059,927	15,879,695	29,086,525	26,636,749	29,078,991
Income tax before credits	16,744,905	32,306,739	59,577,413	50,950,876	58,542,710	57,110,451
Total income tax after credits ¹	13,242,226	21,024,964	r32,726,986	r24,527,921	30,429,379	25,930,862
Distributions to stockholders except in own stock	14,616,282	19,973,061	37,306,509	43,295,901	45,630,537	n.a.

Table 14.(Continued)—Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items by Industrial Division, for Selected Income Years, 1970-1985

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Industrial division and items	1970	1975	1980	1983	1984	p1985
	(1)	(2)	(3)	(4)	(5)	(6)
TRANSPORTATION AND PUBLIC UTILITIES						
Number of returns, total	67,398	80,701	111,324	122,567	128,184	136,296
Number with net income	38,204	45,360	62,232	61,588	65,405	69,121
Total assets	287,740,207	443,236,797	758,364,400	998,870,785	1,084,873,718	1,244,821,305
Net worth	121,205,022	176,444,407	290,655,693	394,284,132	423,937,357	493,171,119
Total receipts	135,495,271	243,480,637	523,807,396	657,421,487	725,631,232	765,250,338
Business receipts	131,463,171	234,689,427	507,372,820	627,836,585	693,105,168	727,314,162
Interest received	930,266	1,520,913	5,760,072	9,491,678	11,250,353	12,282,587
Total deductions	127,931,131	233,409,166	503,954,285	638,194,372	697,240,089	740,508,497
Cost of sales and operations	77,743,359	143,932,463	336,868,172	339,191,696	373,236,459	379,622,285
Interest paid	7,364,200	13,761,062	27,638,591	36,787,550	40,178,514	44,794,306
Net income (less deficit)	7,543,718	10,099,571	20,046,155	19,492,314	28,851,644	25,298,115
Net income	9,471,595	12,088,189	24,917,293	28,040,349	37,897,899	37,845,082
Deficit	1,927,877	1,988,618	4,871,138	8,548,036	9,041,255	12,546,967
Income tax before credits	4,342,334	5,107,158	10,532,722	11,621,625	15,579,597	15,205,166
Total income tax after credits ¹	4,036,650	2,836,470	5,322,655	5,430,069	8,532,848	8,391,977
Distributions to stockholders except in own stock	5,837,565	8,900,353	17,329,807	24,540,824	27,505,378	n.a.
WHOLESALE AND RETAIL TRADE						
Number of returns, total	518,062	614,632	799,628	851,785	896,524	912,018
Number with net income	339,987	399,668	487,300	492,057	516,750	508,803
Total assets	192,181,800	323,496,726	646,901,005	804,242,963	899,032,645	992,130,331
Net worth	77,002,132	122,649,734	222,289,687	265,222,391	289,338,722	284,007,825
Total receipts	522,547,923	969,938,872	1,955,523,778	2,119,444,862	2,307,612,139	2,463,867,088
Business receipts	511,316,883	951,463,550	1,919,347,689	2,071,264,407	2,250,774,641	2,400,211,077
Interest received	1,291,906	3,857,318	10,503,989	15,049,512	18,406,334	20,207,150
Total deductions	512,910,193	947,511,780	1,919,454,218	2,084,482,953	2,265,843,128	2,431,071,214
Cost of sales and operations	392,391,856	745,299,204	1,538,128,634	1,626,952,423	1,759,718,001	1,863,810,267
Interest paid	4,309,663	8,587,173	25,645,855	27,598,584	33,204,502	37,515,770
Net income (less deficit)	9,671,044	22,489,430	38,309,671	35,292,870	42,010,706	33,087,756
Net income	12,395,411	27,681,721	49,426,500	50,844,081	58,584,558	51,355,603
Deficit	2,724,367	5,192,291	11,116,829	15,551,210	16,573,852	18,267,847
Income tax before credits	4,476,047	8,103,316	13,515,653	12,910,870	15,082,817	16,317,234
Total income tax after credits ¹	4,237,181	7,348,619	10,564,358	10,698,145	12,414,978	13,349,057
Distributions to stockholders except in own stock	2,068,501	5,029,897	10,343,087	12,722,120	13,057,047	n.a.
FINANCE, INSURANCE, AND REAL ESTATE						
Number of returns, total	406,235	411,846	493,426	479,656	497,366	516,353
Number with net income	248,586	243,409	273,853	269,267	274,171	283,832
Total assets	1,401,153,520	2,321,965,956	4,022,206,073	5,487,225,439	5,938,984,929	7,161,952,515
Net worth	196,480,448	269,770,527	530,541,317	816,806,465	901,658,317	1,174,479,047
Total receipts	177,321,173	315,795,981	697,460,846	902,822,472	1,033,146,416	1,213,280,165
Business receipts	92,091,887	157,126,715	256,892,475	362,627,365	431,157,290	523,567,411
Interest received	63,694,046	127,040,303	315,146,115	439,937,980	497,044,327	546,318,477
Total deductions	161,630,060	297,963,817	652,637,787	856,678,689	985,687,308	1,136,218,562
Cost of sales and operations	48,434,362	84,614,209	129,644,330	172,818,057	213,655,427	249,577,620
Interest paid	34,548,509	77,677,659	219,167,684	310,356,963	347,164,947	364,800,443
Net income (less deficit)	12,214,079	11,663,330	33,122,792	31,714,771	32,677,046	60,822,587
Net income	15,081,939	18,825,003	46,040,390	60,113,503	66,225,666	91,407,813
Deficit	2,867,860	7,161,673	12,917,599	28,398,732	33,548,620	30,585,226
Income tax before credits	4,404,449	5,558,647	9,680,755	8,540,701	9,619,055	13,669,145
Total income tax after credits ¹	4,150,009	4,673,705	7,699,628	5,697,444	6,730,460	10,184,627
Distributions to stockholders except in own stock	7,387,211	8,729,977	24,692,146	41,592,101	51,315,346	n.a.
SERVICES						
Number of returns, total	281,218	435,672	671,338	848,394	899,370	953,251
Number with net income	150,525	249,641	408,716	481,888	508,336	534,590
Total assets	61,875,140	90,534,067	178,163,737	269,797,251	307,895,160	335,465,648
Net worth	19,529,062	26,855,374	52,865,513	74,710,659	84,773,772	90,063,258
Total receipts	69,572,626	131,377,364	279,883,187	416,462,427	490,332,811	539,912,002
Business receipts	66,459,515	125,747,462	266,088,619	392,064,594	458,038,533	502,772,671
Interest received	435,070	875,506	3,269,412	4,880,958	6,277,591	6,681,711
Total deductions	68,384,452	127,996,443	271,792,974	410,486,562	484,990,160	534,110,274
Cost of sales and operations	37,733,747	63,724,869	129,352,692	143,277,759	170,889,613	178,913,029
Interest paid	1,802,802	3,279,438	8,033,612	11,798,141	14,068,343	15,256,617
Net income (less deficit)	1,198,703	3,396,744	8,193,903	6,002,928	5,464,130	5,773,378
Net income	3,384,869	6,025,592	13,246,601	16,959,225	19,373,912	21,277,486
Deficit	2,186,166	2,628,848	5,052,698	10,956,298	13,909,782	15,504,108
Income tax before credits	1,058,264	1,625,093	3,497,265	3,779,735	4,458,267	4,778,316
Total income tax after credits ¹	1,003,130	1,323,637	2,603,370	2,680,663	3,175,178	3,367,346
Distributions to stockholders except in own stock	558,452	855,402	1,841,945	2,407,362	3,126,700	n.a.

See notes following Table 21.

Table 15.—Corporation Profits Before Taxes and Income Subject to Tax, Income Years 1958-1984

[All figures are estimates—money amounts are in billion of dollars]

Income Year	Profits before taxes, ¹ (per Commerce Department)	Net profits (per SOI) ²	Income subject to tax (per SOI) ³
	(1)	(2)	(3)
1958	41.9	39.2	39.3
1959	52.6	47.7	47.6
1960	49.9	44.5	47.2
1961	49.8	47.0	47.9
1962	55.1	50.8	51.7
1963	59.8	55.7	54.3
1964	66.7	63.1	60.4
1965	77.4	74.7	70.8
1966	83.3	81.3	77.1
1967	80.1	79.3	74.8
1968	89.1	87.5	81.4
1969	87.2	82.1	81.2
1970	76.0	68.0	72.4
1971	87.3	81.9	83.2
1972	101.5	96.8	95.1
1973	122.2	122.6	115.5
1974	138.9	148.2	144.0
1975	134.8	146.0	146.6
1976	170.3	186.6	183.5
1977	200.4	219.5	212.5
1978	233.5	247.4	239.6
1979	257.2	283.0	279.4
1980	237.1	235.9	246.6
1981	226.5	212.5	241.5
1982	169.6	154.8	205.2
1983	207.6	190.0	218.7
1984	240.0	231.9	257.1
1985	p224.8 ⁴	p240.4 ⁴	p267.3 ⁴

See notes following Table 21.

Table 16.—Crude Oil Windfall Profit Tax Before and After Adjustments, by Quarter, 1980-1986

[All figures are estimates based on samples—money amounts are in millions of dollars]

Quarter ending	Tax before adjustments	Total adjustments ¹	Tax after adjustments ²
	(1)	(2)	(3)
Total³	84,209	- 5,994	78,215
March 1980 ⁴	788	—	788
June 1980	2,842	- 21	2,821
September 1980	3,413	- 88	3,325
December 1980	3,918	- 927	2,991
March 1981	6,953	+ 242	7,195
June 1981	7,253	- 107	7,146
September 1981	6,344	- 251	6,093
December 1981	6,007	- 497	5,510
March 1982	5,222	- 221	5,001
June 1982	4,283	- 295	3,988
September 1982	4,404	- 445	3,959
December 1982	4,440	- 634	3,806
March 1983	3,320	- 193	3,127
June 1983	2,951	- 203	2,748
September 1983	2,822	- 300	2,522
December 1983	2,736	- 465	2,271
March 1984	2,622	- 228	2,394
June 1984	2,468	- 218	2,250
September 1984	2,447	- 200	2,247
December 1984	2,236	- 256	1,980
March 1985	1,850	- 117	1,733
June 1985	1,653	- 132	1,521
September 1985	1,442	- 146	1,296
December 1985	1,254	- 209	1,045
March 1986	541	- 83	458

See notes following Table 21.

Selected Statistical Series 1970-88

Table 17.—Gross Internal Revenue Collections: Amount Collected by Quarter and Fiscal Year, 1983-1987

[Money amounts are in millions of dollars]

Quarter and fiscal year	Amount collected by type of return					
	Total	Individual income taxes ¹	Corporation income taxes ²	Excise taxes ³	Employment taxes ⁴	Estate and gift taxes
	(1)	(2)	(3)	(4)	(5)	(6)
FISCAL YEAR 1983, TOTAL	627,247	349,628	61,780	35,766	173,848	6,226
October 1982 - December 1982	132,205	70,312	13,404	8,498	38,404	1,588
January 1983 - March 1983	150,019	86,853	11,494	8,222	41,930	1,519
April 1983 - June 1983	194,431	111,721	22,027	8,947	50,219	1,516
July 1983 - September 1983	150,591	80,742	14,855	10,097	43,294	1,602
FISCAL YEAR 1984, TOTAL	680,475	362,892	74,179	38,017	199,210	6,177
October 1983 - December 1983	141,849	73,379	16,208	9,654	41,132	1,476
January 1984 - March 1984	164,681	89,316	14,337	8,862	50,545	1,622
April 1984 - June 1984	208,814	114,525	25,990	9,680	57,061	1,558
July 1984 - September 1984	165,131	85,672	17,644	9,822	50,472	1,521
FISCAL YEAR 1985, TOTAL	742,871	396,659	77,413	37,005	225,214	6,580
October 1984 - December 1984	155,919	79,775	17,546	9,732	47,286	1,580
January 1985 - March 1985	176,324	89,325	17,350	8,650	59,352	1,647
April 1985 - June 1985	233,946	136,141	24,843	9,013	62,313	1,636
July 1985 - September 1985	176,682	91,418	17,674	9,610	56,263	1,717
FISCAL YEAR 1986, TOTAL	782,252	416,965	80,442	33,672	243,978	7,195
October 1985 - December 1985	167,836	86,608	18,854	9,321	51,354	1,699
January 1986 - March 1986	186,178	97,804	16,243	8,175	62,309	1,647
April 1986 - June 1986	240,680	134,129	25,703	8,191	70,687	1,970
July 1986 - September 1986	187,558	98,424	19,642	7,985	59,628	1,879
FISCAL YEAR 1987, TOTAL	886,290	465,452	102,659	33,311	277,000	7,668
October 1986 - December 1986	180,580	92,346	22,466	8,281	55,615	1,872
January 1987 - March 1987	209,032	105,483	22,649	7,925	71,156	1,819
April 1987 - June 1987	285,477	164,008	29,748	8,493	81,139	2,089
July 1987 - September 1987	211,201	103,615	27,996	8,612	69,090	1,888

See notes following Table 21.

Table 18.—Internal Revenue Refunds: Amount Refunded By Quarter and Fiscal Year, 1983-1987

[Money amounts are in millions of dollars]

Quarter and fiscal year	Amount refunded by type of return					
	Total	Individual income taxes ¹	Corporation income taxes ²	Excise taxes ³	Employment taxes ⁴	Estate and gift taxes
	(1)	(2)	(3)	(4)	(5)	(6)
FISCAL YEAR 1983, TOTAL	89,761	61,198	26,012	493	1,849	208
October 1982 - December 1982	9,411	1,875	7,030	58	397	52
January 1983 - March 1983	23,928	16,548	6,838	108	372	62
April 1983 - June 1983	46,715	38,341	7,421	194	721	38
July 1983 - September 1983	9,705	4,434	4,723	133	359	56
FISCAL YEAR 1984, TOTAL	85,872	64,629	17,889	657	2,486	211
October 1983 - December 1983	7,201	2,064	4,548	195	325	69
January 1984 - March 1984	25,285	19,613	4,850	129	646	47
April 1984 - June 1984	44,859	38,161	5,452	230	968	47
July 1984 - September 1984	8,527	4,790	3,039	103	547	48
FISCAL YEAR 1985, TOTAL	86,322	66,908	16,725	892	1,606	191
October 1984 - December 1984	6,729	2,216	4,177	122	138	46
January 1985 - March 1985	17,664	12,808	4,286	91	439	40
April 1985 - June 1985	52,376	46,370	4,701	556	702	47
July 1985 - September 1985	9,551	5,484	3,561	123	326	57
FISCAL YEAR 1986, TOTAL	94,424	73,078	18,297	962	1,800	287
October 1985 - December 1985	7,948	3,003	4,268	128	488	61
January 1986 - March 1986	25,895	19,950	4,997	320	577	51
April 1986 - June 1986	50,200	44,375	5,058	232	435	100
July 1986 - September 1986	10,381	5,750	3,974	282	300	75
FISCAL YEAR 1987, TOTAL	96,969	73,583	19,891	1,381	1,900	214
October 1986 - December 1986	8,668	3,406	4,789	111	312	50
January 1987 - March 1987	28,422	22,198	5,296	479	393	56
April 1987 - June 1987	50,063	42,858	5,948	332	869	57
July 1987 - September 1987	9,816	5,121	3,858	459	326	52

See notes following Table 21.

Table 19.—Classes of Excise Taxes by Selected Fiscal Years, 1970-1987

[Money amounts are in thousands of dollars]

Selected class of tax	Taxes collected by fiscal year					
	1970	1975	1980	1985	1986	1987
	(1)	(2)	(3)	(4)	(5)	(6)
ALCOHOL AND TOBACCO TAXES, TOTAL	6,840,594	7,665,948	8,151,184	9,881,293	10,233,03	11,097,677
Distilled spirits	3,501,538	3,865,162	3,945,377	3,520,697	3,731,368	n.a.
Wine	163,337	177,113	211,538	305,966	415,196	n.a.
Beer	1,081,507	1,308,583	1,547,853	1,571,436	1,500,921	n.a.
Cigarettes	2,036,101	2,261,116	2,402,857	4,448,916	4,566,338	n.a.
Cigars	56,834	51,226	39,500	24,294	30,418	n.a.
MANUFACTURERS EXCISE TAXES, TOTAL	6,683,061	5,516,611	6,487,421	10,020,574	9,927,742	10,221,574
Gasoline and lubricating oil	3,517,586	4,071,465	4,326,549	9,062,630	8,857,380	9,163,790
Tires, tubes and tread rubber ¹	614,795	697,660	682,624	242,923	285,728	296,408
Motor vehicles, bodies, parts ²	1,753,327	662,556	1,088,696	N/A	N/A	N/A
Recreational products	53,427	84,946	136,521	166,666	174,898	186,608
Black Lung taxes	N/A	N/A	251,288	548,356	561,158	574,769
SPECIAL FUELS, AND RETAILERS TAXES, TOTAL³	257,820	404,187	560,144	3,802,608	3,783,295	3,762,284
Diesel and special motor fuels	257,712	370,489	512,718	2,430,165	2,613,980	2,659,404
Trucks and buses	N/A	N/A	N/A	1,289,750	1,091,356	1,020,553
MISCELLANEOUS EXCISE TAXES, TOTAL	2,084,730	3,306,077	6,359,198	11,044,833	15,131,146	7,255,282
Telephone and teletype ⁴	1,469,562	2,023,744	1,117,834	2,307,607	2,339,153	2,522,062
Air transportation	250,802	850,567	1,748,837	2,589,818	2,707,534	2,913,249
Highway use tax	135,086	207,663	263,272	456,143	566,675	556,006
Foreign insurance ⁵	8,614	19,458	74,630	73,494	139,720	115,133
Exempt organization net investment income	N/A	63,828	65,280	136,153	217,191	218,102
Crude oil windfall profit	N/A	N/A	3,051,719	5,073,159	8,866,967	14,910
Environmental taxes (Superfund) ⁶	N/A	N/A	N/A	272,957	68,538	407,167

Selected class of tax	Fiscal year quarter ending					
	June 1986	Sept. 1986	Dec. 1986	Mar. 1987	June 1987	Sept. 1987
	(7)	(8)	(9)	(10)	(11)	(12)
ALCOHOL AND TOBACCO TAXES, TOTAL	1,547,677	1,393,027	1,394,412	1,615,688	1,446,495	3,191,354
Distilled spirits	990,765	891,958	n.a.	n.a.	n.a.	n.a.
Wine	88,688	110,298	n.a.	n.a.	n.a.	n.a.
Beer	468,224	390,772	n.a.	n.a.	n.a.	n.a.
Cigarettes	1,154,727	1,364,104	1,031,001	1,170,327	1,186,882	n.a.
Cigars	8,844	10,608	9,063	7,268	13,102	n.a.
MANUFACTURERS EXCISE TAXES, TOTAL	2,850,438	2,403,640	2,606,798	2,531,445	2,480,742	2,602,589
Gasoline and lubricating oil	2,605,913	2,086,087	2,341,860	2,270,070	2,222,664	2,329,196
Tires, tubes and tread rubber ¹	60,246	74,874	76,947	77,586	66,151	75,723
Recreational products	42,455	43,890	43,018	40,224	53,374	49,992
Black Lung taxes	141,825	150,211	144,974	143,564	138,552	147,679
SPECIAL FUELS AND RETAILERS TAXES, TOTAL³	906,929	965,381	915,477	937,409	882,798	1,026,600
Diesel and special motor fuels	666,448	654,053	672,119	646,030	637,857	703,399
Trucks and buses, chassis, bodies, etc.	222,441	291,177	222,455	271,891	224,059	302,148
MISCELLANEOUS EXCISE TAXES, TOTAL	3,565,175	2,386,588	1,838,554	1,367,972	2,077,536	1,971,226
Telephone and teletype ⁴	590,082	559,726	679,150	583,799	679,331	579,782
Air transportation	623,037	700,839	770,929	747,811	636,949	757,560
Highway use tax	99,743	277,711	59,958	126,163	91,726	278,159
Foreign insurance ⁵	64,354	25,389	25,523	34,321	31,321	23,968
Exempt organization net investment income	71,659	63,984	22,318	43,256	121,962	30,567
Crude oil windfall profit	2,035,442	689,680	223,634	-230,799	250,915	-228,840

See notes following Table 21.

Table 20.—Selected Returns and Forms Filed or to be Filed During Selected Calendar Years, 1970-1988

Type of return or form	Number Filed in Calendar Year—						
	1970	1975	1980	1985	1986	1987	1988 r(Projected)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Individual income.....	77,281,384	84,026,785	93,196,076	99,704,246	101,925,850	103,462,011	107,858,300
Form 1040.....	77,143,251	61,450,279	55,360,030	64,010,068	66,359,095	68,545,023	68,090,000
Nonbusiness.....	68,129,351	51,377,153	43,957,141	49,873,300	51,733,688	53,736,837	52,534,900
Business.....	9,013,900	10,073,126	11,402,889	14,136,768	14,625,407	14,808,186	15,555,100
Schedule C.....	6,351,304	7,438,968	8,944,298	11,767,348	12,329,218	12,633,261	13,424,100
Schedule F.....	2,662,596	2,634,158	2,458,591	2,369,420	2,296,189	2,174,925	2,131,000
Form 1040A.....	N/A	22,462,776	37,692,282	18,779,084	18,408,426	17,870,312	20,384,900
Form 1040EZ.....	N/A	N/A	N/A	16,739,767	16,983,394	16,835,390	19,170,600
Other ¹	138,133	113,730	143,764	175,327	201,935	211,286	212,800
Corporation income.....	1,758,600	2,132,758	2,675,704	3,437,249	3,700,851	3,828,613	4,117,200
Forms 1120, L, and M.....	1,487,244	1,762,920	2,115,542	2,432,265	2,523,240	2,550,692	2,794,600
Form 1120A.....	N/A	N/A	N/A	199,665	285,134	300,760	309,900
Form 1120S.....	248,936	367,219	528,070	736,945	811,987	892,376	917,800
Other ²	1,414	2,619	32,092	68,374	80,490	84,785	94,900
Partnership, Form 1065.....	991,904	1,132,839	1,401,567	1,755,339	1,831,600	1,824,166	1,886,600
Fiduciary, Forms 1041 and 1041S.....	1,149,445 ³	1,558,570	1,876,392	2,124,969	2,276,245	2,335,805	2,562,900
Estate Tax, Forms 706 and 706NA.....	141,156	225,827	147,303	80,768	67,591	57,165	46,400
Gift Tax, Form 709.....	146,338	273,184	214,789	97,720	101,322	104,095	110,400
Exempt Organization.....	387,469	403,809	442,607	454,097	488,046	514,947	
Form 990.....	377,030 ⁴	346,627	362,632	365,506	375,834	400,332	398,400
Form 990-PF.....	N/A	29,637	33,137	32,005	40,931	42,227	40,700
Form 990-T.....	5,046	19,683	23,455	26,181	32,731	33,156	36,200
Forms 990C, 4720, and 5227.....	5,393	7,862	23,383	30,405	38,550	39,232	40,700

See notes on following Table 21.

Table 21.—Taxpayers Receiving Assistance, Paid and Unpaid, by Tax Year of Return, 1983-1986

[Some estimates based on samples—all amounts are in thousands]

Type of assistance	Tax Year			
	1983	1984	1985	1986
	(1)	(2)	(3)	(4)
Returns with paid preparer signature:¹				
All returns.....	43,258	45,220	46,685	48,049
1040EZ.....	694	728	740	655
1040A.....	5,144	4,470	4,389	4,135
1040, total.....	37,421	40,022	41,556	43,259
1040 Business, total.....	9,563	10,081	10,658	11,087
Nonfarm.....	7,764	8,288	8,924	9,385
Farm.....	1,800	1,793	1,734	1,702
1040 Nonbusiness, total.....	27,858	29,941	30,898	32,172
With itemized deductions.....	16,475	17,866	18,996	18,732
Without itemized deductions.....	11,383	12,075	11,902	12,627
Assistance provided by IRS:²				
Telephone inquiries.....	42,212	41,904	38,195	r34,655
Recorded telephone information.....	3,406	8,307	7,850	r17,892
Office walk-ins, information.....	8,963	8,144	8,114	r7,090
Written inquiries.....	163	160	241	r169
Special programs:				
Community classes and seminars (taxpayers assisted).....	313	400	374	r903
Volunteer Income Tax Assistance (VITA) (returns prepared).....	285	295	302	r337
Tax Counseling for the Elderly (returns prepared).....	185	199	333	r331

See notes on following page.

Notes to Selected Statistical Series Tables

General notations

N/A — Not applicable

n.a. — Not available

p — Preliminary

r — Revised

* — See Appendix, General Description of Statistics of Income Sample Procedures and Data Limitations.

Table 1

[1] Includes unemployment compensation starting with 1979 and certain social security income starting with 1984.

[2] Includes total itemized deductions before subtraction of zero bracket amount, charitable contributions for non-itemizers, and zero bracket amount on non-itemized deduction returns.

[3] Includes deductions not shown separately below.

[4] Includes surcharge of \$2,018,078,000.

[5] Includes credits not shown separately below.

[6] Investment credit, was included in the more-inclusive general business tax credit, beginning with 1984.

[7] Includes income tax after credits and the additional tax for tax preferences, i.e., minimum tax (1970–1982) and alternative minimum tax (1979).

SOURCE: *Statistics of Income—Individual Income Tax Returns*, appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 2

[1] Includes exemptions for age and blindness.

[2] Totals in Table 2 do not agree with Tables 1 and 3 because they were obtained from a different source. For purposes of Table 2:

a. Number of returns by State include, in addition to Forms 1040, 1040A and 1040EZ filed by U.S. citizens and residents, Forms 1040NR filed by non-resident aliens, as well as self-employment tax returns used in Puerto Rico and certain U.S. territories and possessions.

b. "Total tax" liability includes total income tax plus tax from recomputing prior-year investment credit, tax applicable to Individual Retirement Arrangements (IRA's), self-employment tax, social security tax on tip income, and certain other income-related taxes. Total tax is before reduction by earned income credit (see also footnote (c), below).

c. Earned income credit, available to certain low-income workers, could result in a refund (1) if there was no "total tax" (as defined in footnote 2(b), above), in which case the full amount was refundable, or (2) if the credit exceeded "total tax," in which case the excess was refundable. The difference between columns 19 and 21 is the refundable portion.

Total tax (column 16) minus earned income credit (column 21) is the amount most comparable to total tax in Tables 1 and 3. The total tax which results from this subtraction differs from Tables 1 and 3 because it includes additional taxes (see footnote 2(b), above) and because earned income credit used to offset tax (column 21) also includes amounts offset against these additional taxes.

[3] Includes, for example, returns filed from Army Post Office and Fleet Post Office addresses by service men and women stationed overseas; returns filed by other U.S. citizens abroad; and returns filed by residents of Puerto Rico with income from sources outside Puerto Rico or with income earned as U.S. Government employees.

NOTE: This table presents aggregates of all returns filed and processed through the Individual Master File (IMF) system during Calendar Year 1987. Data have not been edited for Statistics of Income purposes.

SOURCE: Internal Revenue Service, Tax Processing Sys-

tems Division, IMF Returns Systems Branch.

Table 3

- [1] Social security income was included in adjusted gross income starting with Tax Year 1984.
- [2] Includes returns with adjusted gross deficit.
- [3] For many taxpayers, this size class includes additional tax for tax preferences not included in "taxable income."
- [4] Includes income tax after credits and the additional tax for tax preferences, i.e., minimum tax, and alternative minimum tax.

SOURCE: *Statistics of Income—Individual Income Tax Returns*, appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 4

- [1] Imputed interest received by persons from life insurance carriers and private non-insured pension plans.
- [2] Reconciliation is based on preliminary SOI data for AGI. For the revised AGI for 1985, see Table 1.
- [3] Represents income of low-income individuals not required to file individual income tax returns, unreported income, and statistical errors or omissions.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *The National Income and Product Accounts of the United States, 1929–82: Statistical Tables*, 1986; for years after 1982, *Survey of Current Business*, various issues.

Table 5

- [1] See Table 4.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *The National Income and Product Accounts of the United States, 1929–82: Statistical Tables*, 1986; for years after 1982, *Survey of Current Business*, various issues.

Table 6

- [1] See Table 4.

- [2] Not computed because preliminary estimates in columns 1 and 2 are not completely comparable.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *The National Income and Product Accounts of the United States, 1929–82: Statistical Tables*, 1986; for years after 1982, *Survey of Current Business*, various issues; and *Statistics of Income—Individual Income Tax Returns*, appropriate years. Statistics of Income data are subject to sampling error; tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 7

- [1] Amount of standard deduction for 1944–1957 estimated by Joseph A. Pechman, The Brookings Institution, on the basis of the distribution of the number of tax returns by income classes and marital status in *Statistics of Income—Individual Income Tax Returns*, and for 1958–1986 obtained directly from *Statistics of Income* tabulations for these years. Represents zero bracket amount for 1977–1986.
- [2] Sum of standard and itemized deduction returns and amounts; excludes charitable deduction reported on standard deduction returns for Tax Years 1982–1986.
- [3] Returns with standard deduction, 1955–1986, include a small number with no adjusted gross income and no deductions. For 1944–1954, returns with no adjusted gross income are included in the number of returns with itemized deductions.
- [4] For 1977–1986, itemized deductions are before subtraction of zero bracket amount.

SOURCE: Except as indicated in footnote 1, *Statistics of Income—Individual Income Tax Returns*, and unpublished tables, appropriate years. Data are subject to sampling error. Tax law and form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of changes mentioned above.

Table 8

- [1] See Table 4.
- [2] Taxable income excludes zero bracket amount for 1977–1986.
- [3] For the definition of total income tax, see footnote 7, Table 1.

- [4] Percentage not computed because preliminary data for taxable income and tax may not be altogether comparable with Department of Commerce estimate for personal income.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *The National Income and Product Accounts of the United States, 1929-82: Statistical Tables*, 1986; for years after 1982, *Survey of Current Business*, various issues; and *Statistics of Income—Individual Income Tax Returns*, appropriate years. Statistics of Income data are subject to sampling errors; tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 9

- [1] Excludes returns with refundable crude oil windfall profit tax overpayment only, starting with 1980.

SOURCE: *Statistics of Income—Individual Income Tax Returns*, and unpublished tables, appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 10

- [1] Includes break even businesses.

SOURCE: *Statistics of Income—Sole Proprietorship Returns*, appropriate years, and *SOI Bulletin*, Summer issues. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 11

- [1] Total assets, total liabilities and partners' capital account are somewhat understated because not all partnership returns included a complete balance sheet.
- [2] Short-term debt is the abbreviated title given to mortgages, notes and bonds payable in less than 1 year.
- [3] Long-term debt is the abbreviated title given to mortgages, notes and bonds payable in 1 year or more. In addition, for Tax Year 1975, long-term debt included nonrecourse loans.

- [4] See footnote 4 Table 12, for changes in the comparability of the statistics for receipts and deductions starting with 1981. Also, statistics for interest received are combined with dividends beginning with 1982.

- [5] Beginning with 1981, represents the more all-inclusive amounts reported in depreciation computation schedules rather than the amounts reported as the depreciation deduction (plus depreciation identified in cost of sales and operations schedules).

SOURCE: *Statistics of Income—Partnership Returns*, appropriate years, and *SOI Bulletin*, Summer issues. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 12

- [1] Size classes are based on business receipts, i.e., gross amounts from sales and operations, for industries except those in finance, insurance and real estate. For the latter industries, total receipts, which is the sum of business receipts and investment income, was used. For partnerships, see also footnote 4, below.
- [2] Includes returns with no receipts as defined in footnote 1.
- [3] Includes corporations with zero assets and liabilities.
- [4] Beginning with 1981, "total receipts" in Table 11 includes, in part, only the net income or loss from farming and rentals. Previously, "total receipts" included the gross receipts from farming and rentals and, if rental receipts were the principal source of total receipts, they were treated as "business receipts" for the statistics. To help minimize the break incomparability caused by this change in statistical treatment of farm and rental income, an effort was made starting with 1981 to include rental (though not farm) gross receipts in the receipts used for the size distribution in Table 12. In Table 11, since only the net income or loss from farming and rentals was included starting with 1981, the deductions reported in computing these net incomes are excluded from the deduction statistics. For previous years, these deductions are reflected in the deduction statistics.
- [5] Prior to 1979, partnerships that had liquidated were assumed to have zero assets and liabilities, even if their balance sheets showed otherwise, and were included in the "under \$25,000" asset size class. Beginning with 1980, balance sheet data reported for liquidated partnerships were tabulated as reported and were included in the appropriate asset size classes.

SOURCE: *Statistics of Income—Corporation Income Tax Returns*, appropriate years, *Statistics of Income—Partnership Returns*, appropriate years, *Statistics of Income—Sole Proprietorship Returns*, appropriate years, and *SOI Bulletin*, Summer issues. Tax law and tax form changes affect the year-to-year comparability of the data. See the appropriate *Statistics of Income* reports for a description of sampling error and of the changes mentioned above.

Table 13

[*] Estimate should be used with caution because of the small number of sample returns on which it is based.

- [1] Included in "Number of returns, total" and "Number with net income."
- [2] Corporations with no more than 35 shareholders (10 prior to 1983), most of them individuals, electing to be taxed at the shareholder level.
- [3] Domestic International Sales Corporations were taxed through parent corporations when profits were distributed or deemed distributed to them.
- [4] Includes dividends reported in combination with interest on Form 1120-S by S Corporations, i.e., certain corporations that elect to be taxed through shareholders (see footnote 2). Based on prior years, when Form 1120-S required each to be reported separately, nearly all of the combined amount represents interest.
- [5] Includes a surcharge of \$784,437,000.
- [6] Income subject to tax exceeds "net income (less active)" because it is only reported in returns with net income; the latter amount is also shown above.
- [7] General business credit includes alcohol fuel, investment, jobs, and employee stock ownership plan (ESOP) credits which were shown separately for previous years.

NOTES: Net long-term for capital gain reduced by net short-term capital loss includes amounts from Forms 1120S, which are not included in computed total receipts nor net income for Tax Year 1984. Therefore, the components of total receipts do not equal the computed total receipts. Also, detail may not add to totals because of rounding.

SOURCE: *Statistics of Income—Corporation Income Tax Returns*, appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the appropriate *Statistics of Income* reports for a description of sampling error and of the changes mentioned above.

Table 14

- [1] Includes additional tax for tax preferences (minimum tax), tax from recomputing prior-year investment credit and Personal Holding Company tax.

SOURCE: *Statistics of Income—Corporation Income Tax Returns*, appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the appropriate *Statistics of Income* reports for a description of sampling error and of the changes mentioned above.

Table 15

- [1] Profits shown are without inventory valuation and capital-consumption adjustment.
- [2] For most years, represents "net income (less deficit)." Beginning with 1963, represents "total receipts less total deductions" (see Table 13).
- [3] Income subject to tax exceeds "net profits" (column 2), because profits in column 2 are reduced by deficits reported on returns without net income. Income subject to tax (the base used to compute tax) is reported on returns with net income.
- [4] Preliminary estimates in columns 2 and 3 are not completely comparable with Department of Commerce preliminary estimate in column 1.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *The National Income and Product Accounts of the United States, 1929-82: Statistical Tables*, 1986; for years after 1982, *Survey of Current Business*, various issues; and *Statistics of Income—Corporation Income Tax Returns*, appropriate years. *Statistics of Income* data are subject to sampling error; tax law and tax form changes affect the year-to-year comparability of the data. See the specific *Statistics of Income* reports for a description of sampling error and of the changes mentioned above.

Table 16

- [1] Adjustments were for under- or over-withholding of tax from previous quarters that the depositing or withholding agent (usually the first purchaser of the oil after extraction) corrected by adjusting amounts withheld in succeeding quarters or, more frequently, because of application of the net income limitation. (Windfall profit subject to tax was limited in that it could not exceed 90 percent of the net income attributable to a barrel of oil.)

[2] Quarterly totals for tax liability after adjustments from Forms 6047 differ from the quarterly totals of tax collected (Table 12) because of the time elapsed between the close of the quarter to which the tax liability data relate and the quarter in which the Forms 6047 were actually processed through the IRS Business Master File system and the tax collected. Therefore, collection data for a specific quarter may include data for more than one quarter and, correspondingly, exclude data for the same reason. As a result, the data in Tables 16 and 19 are not directly comparable.

[3] Crude Oil Windfall Profit Tax Act of 1980 provided for a gradual 33-month phaseout of the tax, beginning in January 1988, if \$227.3 billion in tax (after certain income tax adjustments not reflected in columns 2 and 3) was realized by that time; otherwise the phaseout was to begin no later than January 1991.

[4] Windfall profit excise tax was first applicable to domestic crude oil extracted after February 1980. Therefore, data for the quarter ended March 1980 are for the month of March only.

Source: Internal Revenue Service, Statistics of Income Division. For quarters ending March 1980 through December 1985, see the *SOI Bulletin*, quarterly issues, Fall 1981 through Fall 1986. Tax law changes affect the comparability of the data over the time periods shown. See specific issues of the *SOI Bulletin* for a description of these law changes and of the samples on which the statistics were based.

Tables 17 and 18

[1] Individual income tax collected includes that portion which was designated for the presidential election campaign fund by taxpayers on their returns. Also included is the fiduciary income tax collected (from estates and trusts). Fiduciary income tax collected was \$4.5 billion in 1986, \$4.1 billion in 1985, \$2.9 billion in 1984, and \$2.7 billion in 1983. Presidential election campaign designations amounted to \$35.9 million in 1986, \$34.8 million in 1985 and 1984, and \$35.5 million in 1983.

[2] Corporation income tax collected includes various taxes applicable to tax-exempt organizations, including the tax on "unrelated business income." Total taxes collected from tax-exempt organizations were \$153.0 million (1986), \$69.8 million (1985), \$50.0 million (1984), and \$45.1 million (1983).

[3] Excise taxes are imposed on selected products, services and activities, such as those on alcohol and tobacco products and the windfall profit tax on domestically-produced crude oil.

[4] Employment taxes include payroll taxes levied on salaries and wages, such as social security, railroad retirement and unemployment taxes; plus the self-employment tax imposed on "self-employment income."

NOTES: Collections (or refunds) are those made during the time periods indicated, regardless of the year or other period during which the tax liability was incurred (or to which the refund applied). Collections represent the gross amounts before refunds and include amounts paid with the return; prior to filing the return (as applicable, income tax withheld by employers and estimated tax payments); and subsequent to filing the return (chiefly the result of initial return processing or of examination and enforcement activities). Collections also include interest and penalties. Refunds result chiefly from tax overpayments determined at time of filing a return. Included are amounts subsequently determined as due the taxpayer as a result of an amended return or a claim for refund (including those produced by "net operating loss" and other carryback adjustments from future taxable years); or as a result of initial return processing or of examination and other activities. Individual income tax refunds are net of offsets under laws which require IRS to act as collection agent for delinquent payments owed various U.S. agencies under specific programs. All refund data include interest paid by IRS. Detail may not add to totals because of rounding.

SOURCE: Internal Revenue Service, Returns Processing and Accounting Division, Accounting Branch.

Table 19

[1] Effective January 1, 1984, taxes on tubes and tread rubber were repealed, and dealers holding taxable tires were assessed a one-time floor stock tax.

[2] Effective January 7, 1983, the excise taxes on parts and accessories for trucks and buses, which are included in this classification, were repealed. Beginning with the quarter ending December 1983, motor vehicles are excluded.

[3] Special fuels, total, includes diesel and special motor fuels which were classified as miscellaneous excise taxes in 1970. Beginning with the quarter ending December 1983, motor vehicles are included.

[4] Effective January 1, 1983, the excise tax increased from 1 percent to 3 percent.

[5] The negative amounts are due to refunds of this tax under the United States-United Kingdom Income Tax Treaty, which provides for an exemption from the tax

retroactive to January 1, 1975. Also, a similar United States-France treaty provides for an exemption retroactive to January 1, 1979.

[6] Expired September 30, 1985 (P.L. 96-510).

NOTES: For 1970 and 1975, the fiscal year was defined as July of the previous calendar year through June of the year noted. For 1980-1986, the fiscal year was defined as October of the previous calendar year through September of the year noted. Additional detail is published in the Annual Report of the Commissioner and Chief Counsel, Internal Revenue Service.

SOURCE: U.S. Department of the Treasury, Internal Revenue Service, Returns Processing and Accounting Division, Revenue and Accounting Branch; and Financial Management Service.

Table 20

[1] Includes Forms 1040C, 1040NR, 1040PR, and 1040SS; excludes amended returns (Form 1040X).

[2] Includes Forms 1120F, 1120 POL, and 1120H; excludes Forms 1120-DISC/FSC and amended returns (Form 1120X).

[3] Includes Form 1041A.

[4] Includes Form 990A.

SOURCE: Internal Revenue Service, Research Division, Projections and Forecasting Group.

Table 21

[1] Estimates of returns with paid assistance for 1985 and earlier years are based on the full-year sample of returns used for *Statistics of Income—Individual Income Tax Returns*. 1986 projections are based on converting 1986 Taxpayer Usage Study sample (TPUS) to the equivalent of the Statistics of Income (SOI) sample. This was done because the TPUS sample represents returns filed through April, while the SOI sample represents all individual income tax returns filed for a calendar year. For additional information about the TPUS sample, see the Summer 1985 issue of the *SOI Bulletin*.

[2] Data on IRS Taxpayer Service Programs are collected on a fiscal-year basis. In general, assistance rendered in a given fiscal year may be related to returns due on April 15th during the fiscal year and are for the tax year ending with the previous December. Therefore, data in Table 21, which are presented on a tax year basis, are actually for a fiscal year, e.g., data shown as for Tax Year 1985 are actually for Fiscal Year 1986. However, data shown as for Tax Year 1986 in previous issues of the *SOI Bulletin* were actually for the first 7 months of Fiscal Year 1987; the revised data represent the entire Fiscal Year 1987.

NOTE: Data on IRS assistance represent taxpayer contacts. Some taxpayers make more than one contact. The number of taxpayers assisted (in contrast to the number of contacts made) is not known.

SOURCE: Data on paid preparers obtained from Statistics of Income and Taxpayer Usage Study samples. Data on IRS assistance were compiled by the Taxpayer Service Division.

Appendix*

General Description of Statistics of Income Sample Procedures and Data Limitations

This appendix discusses typical sampling procedures used in most Statistics of Income (SOI) programs. Aspects covered briefly include sampling criteria, selection techniques, methods of estimation, and sampling variability. Some of the nonsampling error limitations of the data are also described, as well as the tabular conventions employed.

Additional information on sample design and data limitations for specific SOI studies can be found in the separate SOI reports (see the References at the end of this Appendix). More technical information is available, upon request, by writing to the Director, Statistics of Income Division, Internal Revenue Service, Washington, DC 20224.

SAMPLE CRITERIA AND SELECTION OF RETURNS

Statistics compiled for the SOI studies are generally based on stratified probability samples of income tax returns or other forms filed with the Internal Revenue Service (IRS). The statistics do not reflect any changes made by the taxpayer through an amended return or by the IRS as a result of an audit. The samples are based on such criteria as: industry, presence or absence of a return form schedule, accounting period, State from which filed and various income factors or other measures of economic size (such as total assets in the case of corporations).

The probability of a return being designated depends on its sample class or stratum and may range from a fraction of 1 percent to 100 percent. Considerations in determining the selection probability for each stratum include the number of returns in the stratum, the diversity of returns in the stratum, and interest in the stratum as a separate subject of study. All this is subject to constraints based on the allowable total cost or predetermined size of the total sample for the program.

For most SOI studies, returns are designated by computer from the IRS Master File based on the taxpayer identification number (TIN) which is either the social security

number (SSN) or the employer identification number (EIN). A fixed and essentially random number is associated with each possible TIN. If that random number falls into a range of numbers specified for a return's sample stratum, then it is selected and processed for the study. Otherwise it is counted (for estimation purposes) but not selected. In some cases, the TIN is used directly by matching specified digits of it against a predetermined list for the sample stratum. A match is required for designation.

Under either method of selection, the TIN's designed from one year's sample are for the most part selected for the next year's, so that a very high proportion of the returns selected in the current sample are from taxpayers whose previous years' returns were included in earlier samples. This longitudinal character of the sample design improves the estimates of change from 1 year to the next.

METHOD OF ESTIMATION

As noted above, the probability with which a return is selected for inclusion in a sample depends on the sampling rate prescribed for the stratum in which it is classified. Weights are, in general, computed by dividing the count of returns filed for a given stratum by the count of sample returns for that same stratum. "Weights" are used to adjust for the various sampling rates used—the lower the rate, the larger the weight.

The data on each return in a stratum are then multiplied by that weight. To produce the tabulated estimates, these weighted data are summed to produce the published statistical totals.

SAMPLING VARIABILITY

The particular sample used in a study is only one of a large number of possible random samples that could have been selected using the same sample design. Estimates derived from the different samples usually vary. The standard error of the estimate is a measure of the variation among

*Compiled by Bettye Jamerson, Coordination and Publications Staff, under the direction of Robert Wilson, Team Leader. Major contributions were made by Paul McMahon, Corporation Statistics Branch, Operations Section.

the estimates from all possible samples and is used to measure the precision with which an estimate from a particular sample approximates the average result of the possible samples. The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that this interval includes the actual population value.

In SOI reports the standard error is not directly presented. Instead, the ratio of the standard error to the estimate itself is presented in decimal form. This ratio is called the coefficient of variation (CV). The user of SOI data may multiply an estimate by its coefficient of variation to recreate the standard error and to construct confidence intervals.

For example, if a sample estimate of 150,000 returns is known to have a coefficient of variation of 0.02, then the following arithmetic procedure would be followed to construct a 68 percent confidence interval estimate:

150,000	(sample estimate)
× 0.02	(coefficient of variation)
= 3,000	(standard error of estimate)
<hr/>	
150,000	(sample estimate)
+ or - 3,000	(standard error)
= 147,000-153,000	(68% confidence interval)

Based on these data, the interval estimate is from 147 to 153 thousand returns. A conclusion that the average estimate of the number of returns lies within an interval computed in this way would be correct for approximately two-thirds of all possible similarly selected samples. To obtain this interval estimate with 95 percent confidence, the standard error should be multiplied by 2 before adding to and subtracting from the sample estimate. (In this particular case, the resulting interval would be from 144 to 156 thousand returns.)

Further details concerning confidence intervals, including the approximation of CV's for combined sample estimates, may be obtained on request by writing the Director, Statistics of Income Division.

Generally in the SOI Bulletin only conservative upper limit CV's are provided for frequency estimates. These do, however, provide a rough guide to the order of magnitude of the sampling error.

NONSAMPLING ERROR CONTROLS AND LIMITATIONS

Although the previous discussion focuses on sampling methods and the limitations of the data caused by sampling error, there are other sources of error that may be significant in evaluating the usefulness of SOI data. These include taxpayer

reporting errors, processing errors, and effects of an early cut-off of sampling. More extensive information on nonsampling error is presented in SOI reports, when appropriate.

In transcribing and tabulating the information from the returns or forms selected for the sample, checks are imposed to improve the quality of the resultant estimates. Tax return data may be disaggregated or recombined during statistical "editing" in order both to improve data consistency from return to return and to achieve definitions of the data items that are more in keeping with the needs of major users. In some cases not all of the data are available from the tax return as originally filed. Sometimes the missing data can be obtained through field followup. More often though, they are obtained through imputation methods. As examples, other information in the return or in accompanying schedules may be sufficient to enable an estimate to be made; prior-year data for the same taxpayer may be used for the same purpose; or data from another return for the same year that has similar characteristics may be substituted. Research to improve methods of imputing data that are missing from returns continues to be an ongoing process [1].

Quality of the basic data abstracted from the returns is subjected to a number of quality control steps including 100-percent key verification. The data are then subjected to many tests based on the structure of the tax law and the improbability of various data combinations. Records failing these tests are then subjected to further review and any necessary corrections are made. In addition, the Statistics of Income Division in the National Office conducts an independent reprocessing of a small subsample of statistically-processed returns as a further check.

Finally, before publication, all statistics are reviewed for accuracy and reasonableness in light of provisions of the tax laws, taxpayer reporting variations and limitations, economic conditions, comparability with other statistical series, and statistical techniques used in data processing and estimating.

TABULAR CONVENTIONS

Estimates of frequencies and money amounts that are considered unreliable due to the small sample size on which they are based are noted by an asterisk (*) to the left of the data item(s) in the tabulations. The presence of an asterisk indicates that the sample rate is less than 100 percent of the population and there are fewer than 10 sample observations available for estimation purposes.

A dash in place of a frequency or amount indicates that no sample return had that characteristic. In addition, a dash in place of a coefficient of variation for which there is an estimate indicates that all returns contributing to the estimate were selected at the 100-percent rate.

Whenever a weighed frequency in a data cell is less than 3, the estimate is either combined with other cells or deleted in order to avoid disclosure of information about individual taxpayers or businesses [3]. These combinations and deletions are indicated by a double asterisk (**).

NOTES

- [1] For an example of the recent SOI Division research, see Hinkins, S., "Matrix Sampling and the Effects of Using Hot Deck Imputation," in 1984 Proceedings: American Statistical Association, Section on Survey Research Methods p. 245. Other research efforts are included in Statistical Uses of Administrative Records: Recent Research and Present Prospects, Volume 1, pages 179-184, Internal Revenue Service, March 1984.
- [2] Quality control activities for all SOI studies will be published in a series of forthcoming reports. These reports will provide detailed information relating to quality in all phases of SOI processing.
- [3] In the case of geographic statistics, steps to avoid dis-

closure are taken when a weighted frequency is less than 10.

REFERENCES

For information about the samples used for specific SOI programs see:

Individual Income Tax Returns, 1985, (see especially pages 4-7).

Statistics of Income—1984, Corporation Income Tax Returns (see especially pages 7-12).

Statistics of Income—1978-82, Partnership Returns (see especially pages 237-244).

Statistics of Income—1979-83, Compendium of Studies of International Income and Taxes, Foreign Income and Taxes Reported on U.S. Tax Returns (see information about the samples used at the end of each chapter)

SOI Bulletin (see each issue).

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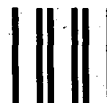
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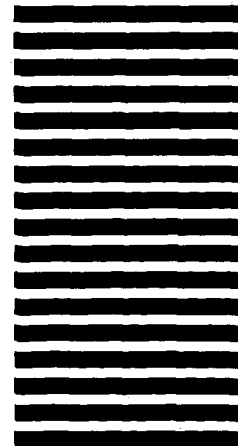
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INDEX OF PREVIOUSLY PUBLISHED SOI BULLETIN ARTICLES (Issue, Volume and Number)

Corporation income tax returns:
(See Foreign income and taxes)

Domestic International Sales Corporations:
1980, *Fall 1983* (3-2)

Employee benefit plans:
1977, *Spring 1982* (1-4)

Estate tax returns
1983, *Fall 1984* (4-2)
1916-31 Revisited, *Spring 1987* (6-4)

Excise taxes:
Environmental:
1981-85, *Spring 1987* (6-4)

Exempt organizations:
Nonprofit Charitable Organizations:
1982, *Winter 1985-86* (5-3)
1983, *Spring 1987* (6-4)

Other than private foundations:
1975-1978, *Fall 1981* (1-2)

Private foundations:
1982, *Fall 1985* (5-2)
1983, *Winter 1986-87* (6-3)

Fiduciary income tax returns:
1982, *Spring 1985* (4-4)

Foreign income and taxes:
Controlled Foreign Corporations:
1982, *Summer 1986* (6-1)
1982, *Winter 1986-87* (6-3)

Corporation foreign tax credit:
1982, *Fall 1986* (6-2)

Foreign corporate investment and activity in the U.S.:
1983, *Summer 1987* (7-1)

Individual foreign income and taxes:
1983, *Summer 1987* (7-1)

International boycotts:
1976-1982, *Summer 1985* (5-1)

Possessions corporations tax credit:
1980, *Spring 1983* (2-4)

Foreign Recipients of U.S. Income:
1982, *Fall 1984* (4-2)
1983, *Fall 1985* (5-2)
1984, *Fall 1986* (6-2)
1985, *Fall 1987* (7-2)

Individual income tax returns:
(See also Foreign income and taxes)

Age and tax filing:

1981, *Fall 1985* (5-2)

Demographic characteristics of taxpayers:

1983, *Summer 1986* (6-1)

High-income Returns:

1983, *Spring 1986* (5-4)

1984, *Spring 1987* (6-4)

High-income taxpayers and the growth of partnerships:

1983, *Fall 1985* (5-2)

Historical summary of income and taxes:

1913-1982, *Winter 1983-84* (3-3)

Income by ZIP code areas:

1969-1979, *Spring 1983* (2-4)

1979 & 1982, *Summer 1985* (5-1)

Interest Income and Deductions:

1968-1984, *Fall 1986* (6-2)

Legally-blind tax filers:

1983, *Fall 1987* (7-2)

Life cycle of individual tax returns:
Spring 1984 (3-4)

Marginal and average tax rates:

1981, *Fall 1983* (3-2)

1982, *Spring 1985* (4-4)

1983, *Winter 1985-86* (5-3)

1984, *Winter 1986-87* (6-3)

Sales of capital assets:

1981-82, *Winter 1985-86* (5-3)

Taxation of social security and railroad retirement benefits:

1985-1990, *Fall 1987* (7-2)

Taxpayer by sex:

1969-1979, *Spring 1985* (4-4)

Taxpayer usage of Forms 1040:

1986, *Summer 1987* (7-1)

Partnership returns:

Analysis of Partnership Activity:

1981-1983, *Spring 1986* (5-4)

Employment and payroll:

1979, *Spring 1984* (3-4)

High-income taxpayers and the growth of partnerships:

1983, *Fall 1985* (5-2)

Income statements by industry:

1983, *Summer 1985* (5-1)

1984, *Summer 1986* (6-1)

1985, *Summer 1987* (7-1)

Personal wealth:

Composition of assets, 1982:
Winter 1984-85 (4-3)

Realized income and personal wealth:

Spring 1983 (2-4)

Trends, 1976-1981:

Summer 1983 (3-1)

Private activity tax-exempt bonds:

1983, *Summer 1984* (4-1)

1984, *Winter 1985-86* (5-3)

1985, *Spring 1987* (6-4)

Projections of returns to be filed:

1988-1995, *Fall 1987* (7-2)

Safe Harbor Leasing:

1981-1982, *Fall 1983* (3-2)

Sales of capital assets

(See individual income tax returns)

SOI Statistical Services:

1985-86, *Spring 1986* (5-4)

Studies of International income and taxes:

Fall 1986 (6-2)

Domestic special studies:

Fall 1987 (7-2)

Sole proprietorship returns:

Income statements by industry:

1983, *Summer 1985* (5-1)

1984, *Summer 1986* (6-1)

1985, *Summer 1987* (7-1)

Nonfarm proprietorships and sex of owner:

1980, *Spring 1983* (2-4)

Superfund for environmental taxes

(See Excise taxes)

Tax incentives for saving:

Spring, 1984 (3-4)

Underground economy:

Informal suppliers:

Summer 1983 (3-1)

Tip income in eating places:

1982, *Winter 1983-84* (3-3)

Windfall profit tax:

1982, year total,

Fall 1983 (3-2)

1983, year total,

Fall 1984 (4-2)

1984, year total,

Fall 1985 (5-2)

1985, year total,

Fall 1986 (6-2)